NRA NEWS

National Restaurant Association

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SMALL BUSINESS

America's Biggest Asset

Small business and NRA

This fourth issue of the National Restaurant Association's combined publication is dedicated to small business. Someone not two blocks from you has recently opened a new business. Through hard work and good sense, he or she will build a successful operation which will become one of the reliable and respected institutions in your community. If you are an NRA member, chances are that is your story, too.

About 88 percent of the NRA membership operate small businesses — sales under $2 million per year. Eighty-nine percent run five units or less, and 64 percent operate one unit. These figures should not startle you. We hear a lot about the big foodservice companies. We watch them carefully and learn from them. But when all is said and done, the foodservice industry is largely made up of small businesses.

And so is the American economy. Of the total number of nonfarm businesses in the U.S., 96.7 percent are labeled small businesses by the Small Business Administration (SBA). These businesses account for $7.00 out of every $10 in sales made by retailers and wholesalers and $6.00 out of every $10 earned by service industries. Directly or indirectly they provide a livelihood for over 100 million Americans.

Despite the difficult times, American business is still small business, and small businesses make up our greatness. Esteem for the independent businessman and woman is part of our cultural heritage. We believe in a free competitive system, which allows individuals with the energy, intelligence and skill to be their own employers and build their own success.

NRA is committed to protecting and nurturing this tradition. Through its publications, the research department supplies the facts and figures you need to plan the growth of your business. Its education department presents the seminars and conferences which train you and your employees to function more effectively and efficiently. Its public affairs program works with government to create the kind of economic environment in which business can prosper.

I urge you to participate in and then read NRA studies and surveys, to attend the association's seminars and conferences and to play an active role in its grassroots political program. These are the programs which help small business grow and prosper.

Sincerely,

Jerry Goodwin

Jerry Goodwin
NRA Director

NRA NEWS

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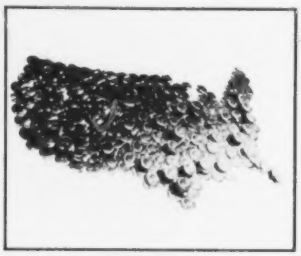

This issue highlights the important role small business plays in our industry as well as in the entire American economy. Special articles in each department of this month's *NRA News* are specifically geared to inform small operators about legislative, regulatory, industry and economic issues which will affect business decisions during the year ahead. Monthly sections also focus on some simple ways for small restaurateurs to "jazz up" their menus and easy methods of finding the industry facts and figures they need.

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SHORT ORDERS

Labor Department reviews child labor laws

The Department of Labor (DOL) is reviewing present child labor laws which restrict teenagers from working on "hazardous" equipment in restaurant kitchens. Many of the laws which presently apply to teenagers working in restaurants were actually designed for bakeries and meat-packing plants and have little relevance to restaurant kitchens.

NRA is working with DOL to obtain specific exemption for restaurant equipment which has safety devices and poses no real danger to young workers. Details are provided in this month's Washington Report.

New Safety Operations Manual sent to members

All members received the National Restaurant Association's new *Safety Operations Manual* in December. This valuable reference includes sections on security, fire protection, insurance, OSHA and recommended practices during emergencies. Above all, it provides guidance on establishing a safety program in restaurants. Additional copies may be purchased through NRA's Public Health and Safety Department, Suite 2600, One IBM Plaza, Chicago, IL 60611.

Industry to save $103 million on payroll taxes

The Internal Revenue Service (IRS) recently issued a list of procedures which must be followed for employers to obtain refunds and credits for Social Security (FICA) and federal unemployment (FUTA) taxes paid on employees' meals and lodging which are provided for the employers' convenience.

IRS' new procedures were released as a result of the June, Supreme Court decision in *Rowan Company, Inc. vs. U.S.*, which upheld NRA's position that operators should not have to pay FICA and FUTA taxes on meals provided employees whether they are for the employers' convenience or not.

NRA estimates that *Rowan* will save the restaurant operator $103 million in payroll taxes per year and employees another $93 million.

A number of changes requested by NRA are reflected in the final IRS procedure list. NRA President Robert E. Bradford stated that the recommended changes will simplify and speed the claim process, which under existing procedures is cumbersome. In a fall meeting with IRS, NRA requested that claims against future taxes be offered as well as refunds. IRS agreed.

IRS also waived the requirement that operators must track down past employees eligible for refunds under $10. IRS conceded because finding past employees could prove a burdensome and time-consuming obstacle to filing claims under *Rowan*.

The IRS procedures are covered in Revenue Procedure 81-69, released in late December 1981. For more information, contact NRA's legal department in Washington, DC.

MAECO meets this month

The next meeting of NRA's Multi-Unit Architects, Engineers and Construction Officers (MAECO) is scheduled for the Doubletree Inn, Scottsdale, AZ, on Jan. 20–22, 1982. The meeting will feature a visit to the Frank Lloyd Wright Foundation's Taliesin West School of Architecture. Ann Griffith of Host International will chair the session. Contact Andy Poledor at NRA's Chicago office for more meeting and hotel information.

Restaurant failures increase

Restaurant failures in 1980 reached the highest level since 1967. Economists blame the 948 bankruptcies on the recession, combined with double-digit inflation and declining customer counts.

Among all retail failures, eating and drinking place closings ranked thirteenth. Infant and children's wear stores recorded the largest number of closings.

The failure rate among restaurants was 26 per 10,000 in 1980, up from 17 per 10,000 in 1979 and only 14 per 10,000 in 1978. See details in Foodservice Trends.

Customer traffic increases

Customer traffic at U.S. restaurants increased in 1981 for the first time in two years, according to a recent CREST study. Family restaurants benefited most from the additional customer traffic.

Check size grew 9.5 percent in 1981. Menu price hikes, combined with an increase in the number of items ordered and a preference toward more expensive items, are largely responsible for the growth. See Foodservice Trends this month.

American cuisine symposium scheduled for March

The first symposium on American cuisine, sponsored by the Grisanti Organization, will be held at the Hyatt Regency, Louisville, KY, and at one of Michael Grisanti's three restaurants — Sixth Avenue also in Louisville, from Mar. 7–9, 1982. During the days, speaker sessions and cooking demonstrations will be held at the Hyatt. Sixth Avenue will sponsor the evening functions, which include a cocktail party and dinner hosted by Kentucky Governor John Y. Brown and Phyllis George Brown and a dinner created by regional cuisine chefs.

Proceeds of the event will go to the Culinary Institute of America and Johnson and Wales College, Providence, RI. Speakers will include authorities on American cuisine — chefs, critics, writers and outstanding restaurateurs committed to the rediscovery of an authentic American cuisine. (See December 1981, Bill of Fare.)

For more information, contact Phil S. Cooke, Foodservice Associates, 310 West Liberty Street, Louisville, KY 40202, (502) 583-3783.

Food consumption to increase in 1982

The U.S. Department of Agriculture (USDA) predicts per capita food consumption will increase one percent in 1982. USDA bases its predictions on a combination of factors expected to affect the 1982 economy. Most important

- consumer disposable income will rise as a result of federal tax reductions and
- price increases of key food products, including beef, dairy items and fresh vegetables, are expected to moderate this year.

See details in Foodservice Trends.

NRA information service & library's new publication list

The information service and library's continually growing list of publications and reports allows the staff to consult the latest information when members call or write NRA with questions.

New publications

- *Major Forces in the World Economy: Concerns for International Business*, The Conference Board
- *IFMA's 1981 Dynamics of the Chain Restaurant Market*, IFMA
- *1981 Directory of Hotel & Motel Systems*, American Hotel Association Directory Corp.
- *Soup & Salad Bars*, edited by Patricia Moore Kolb
- *Impact of Household Size and Income on Food Spending Patterns*, U.S. Department of Agriculture
- *Bob Parks' Personal Notes on: Let's Open a Restaurant to Maximize Profits*, Hospitality Associates
- *Corporate Directorship Practices: The Nominating Committee and the Director Selection Process*, The Conference Board
- *School Foodservice Market Analysis and Menu Report*, Information Central, Inc.
- *Impact of the CAB Competitive Marketing Case on the Tourism Industry*, Report of the U.S. Congressional Travel and Caucus
- *The Boston University: Cooking by Degrees*, edited by Laura Freid and Terence Janericco
- *Compensation Strategies during an Uncertain Recovery*, The Conference Board
- *Industry Response to Health Risk*, The Conference Board
- *Directory of Industry Data Sources: U.S. & Canada*, edited by William A. Benjamin
- *Encyclopedia of Associations*, edited by Denise Akey, Gale Research Co.
- *Sanitation for Foodservice Workers*, by Treva Richardson
- *Inflation and Financial Markets*, National Bureau of Economic Research
- *Survey of Buying Power — Parts I & II*, Sales & Marketing Management

International wine expo scheduled for April

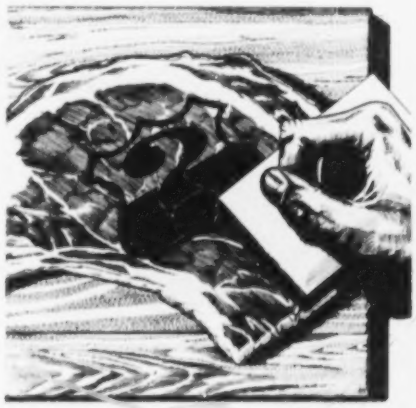
The National Restaurant Association will be one of the sponsors of the 1982 International Wine Expo to be held in Washington, DC, April 23-25. The expo will include wine and cheese tastings, as well as lectures, seminars and cooking demonstrations by industry experts.

Over 25 nations have expressed interest in participating in the event; the U.S. will be represented by vintners from 10 wine-growing states. "This expo will be one of the first truly comprehensive gatherings of wine experts worldwide," stated NRA President Robert E. Bradford.

For more information, see the special feature in next month's *NRA News*.

Controversy on USDA meat grading standards continues

The National Cattlemen's Association (NCA) has proposed changes to the present U.S. Department of Agriculture (USDA) beef-grading standards. NRA Chairman Walter Conti explained that the cattlemen's proposals would make it almost impossible for restaurateurs to continue to depend on USDA standards when ordering beef. "A downgrading of standards will ultimately reduce the amount of meat sold in restaurants," Conti warned cattlemen. For details on NRA's efforts to prevent another revision of the beef-grading standards, see Washington Report this month.



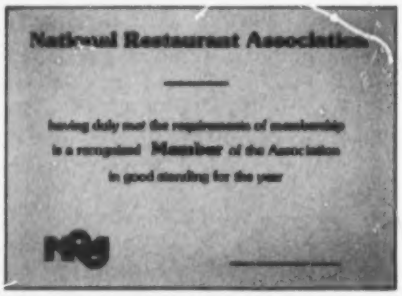
Ray Driver

NRA 1982 membership certificates now available

The National Restaurant Association has contracted with Josten's to supply 1982 NRA membership certificates and plaques for display in your establishment. These may be ordered by completing the form below. The certificate along with your 1982 NRA decal and membership card will identify your operation as a valued member of the National Restaurant Association for 1982.

1982 NRA Membership Certificate

Tan parchment, size 8-1/2" × 11", featuring maroon and black printing with gold engraved heading.



Quantity *certificates* desired _____
Quantity certificate *plaques* desired _____
Name to be inscribed on certificate _____

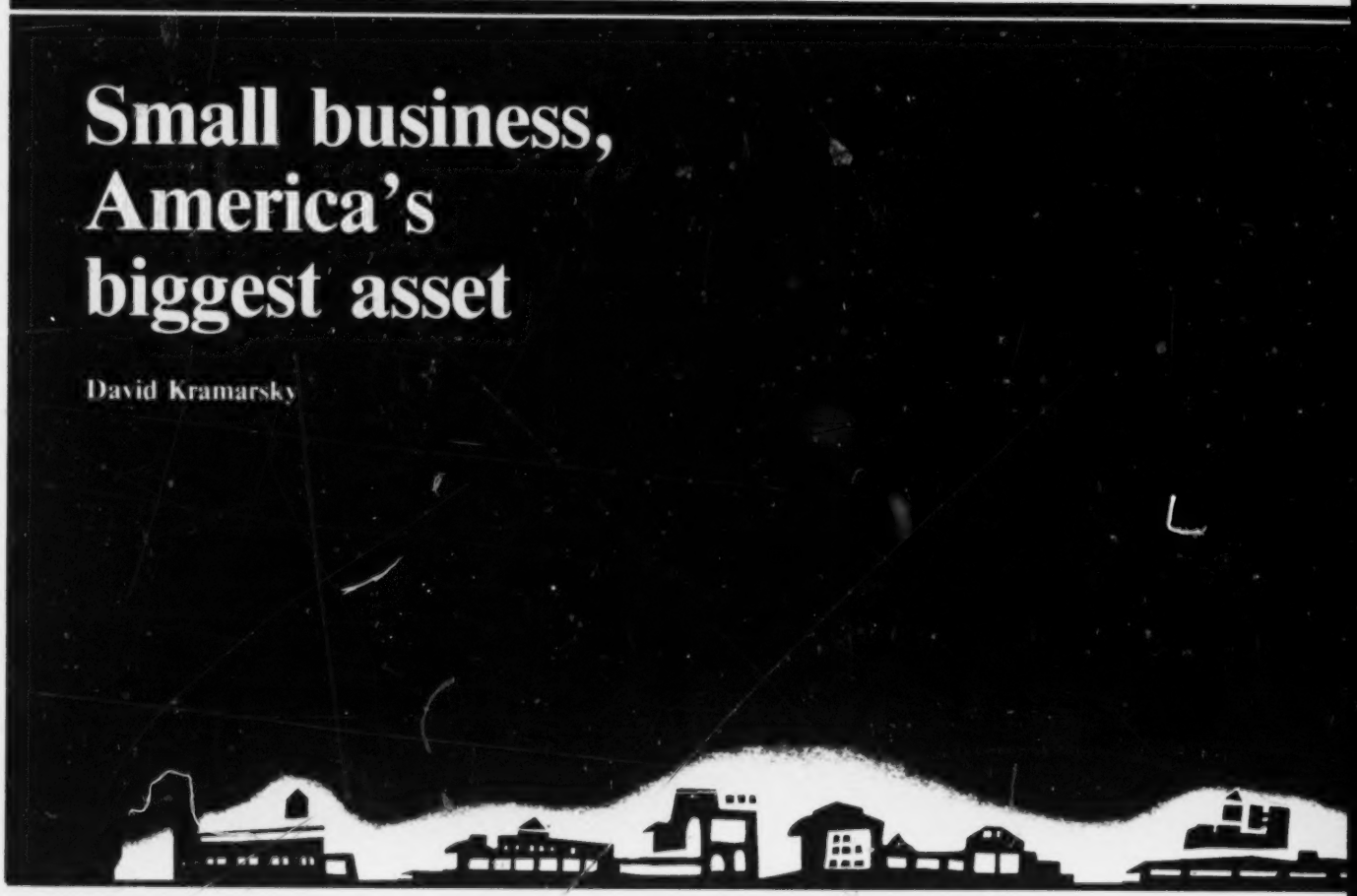
Enclose check or money order payable to Josten's in the amount of $6.00 for each certificate, or $32 for each certificate plaque, plus state sales tax for your state.
Add $10 per order for orders to be shipped outside of the U.S.
NRA member address:

Name _____
Company _____
Street _____
City _____ State _____ ZIP _____

Send to: Josten's, Ms. Heija Cain, Josten's Industrial Park, Red Wing, MN 55066

Small business, America's biggest asset

David Kramarsky



"It was the best of times, it was the worst of times." So begins Charles Dickens' *Tale of Two Cities* — and so ended 1981 for most of America's small businesses.

For smaller companies, recent years have been better because the notion that "small is beautiful" is finally gaining the recognition it deserves at the highest policy-making levels of the country. In Washington, in state houses and in city halls, small businesses are making their voices heard and are succeeding in making changes in policy to remove the barriers to continued survival and growth.

At the same time, the very existence of private enterprise is threatened by today's economic conditions that pose a crisis for independent businesses. Very simply, the current high interest rates are killing off smaller companies at record rates. Manufacturing firms, wholesale outfits, retail operations and service businesses are all feeling the sting of a monetary policy designed to cure a particular disease — inflation — regardless of the cost. Official court filings show that business bankruptcies are occurring at a record rate of some 4,000 per month, and this does not even reflect the disappearance of businesses which are debt-free and need no court procedures to close their doors. (See Foodservice Trends' survey this month on restaurant closings.)

It seems ironic that in the midst of an era that has allowed small business to make its greatest gains in terms of recognition and relief, small business also finds itself in worse condition than any time since 1975.

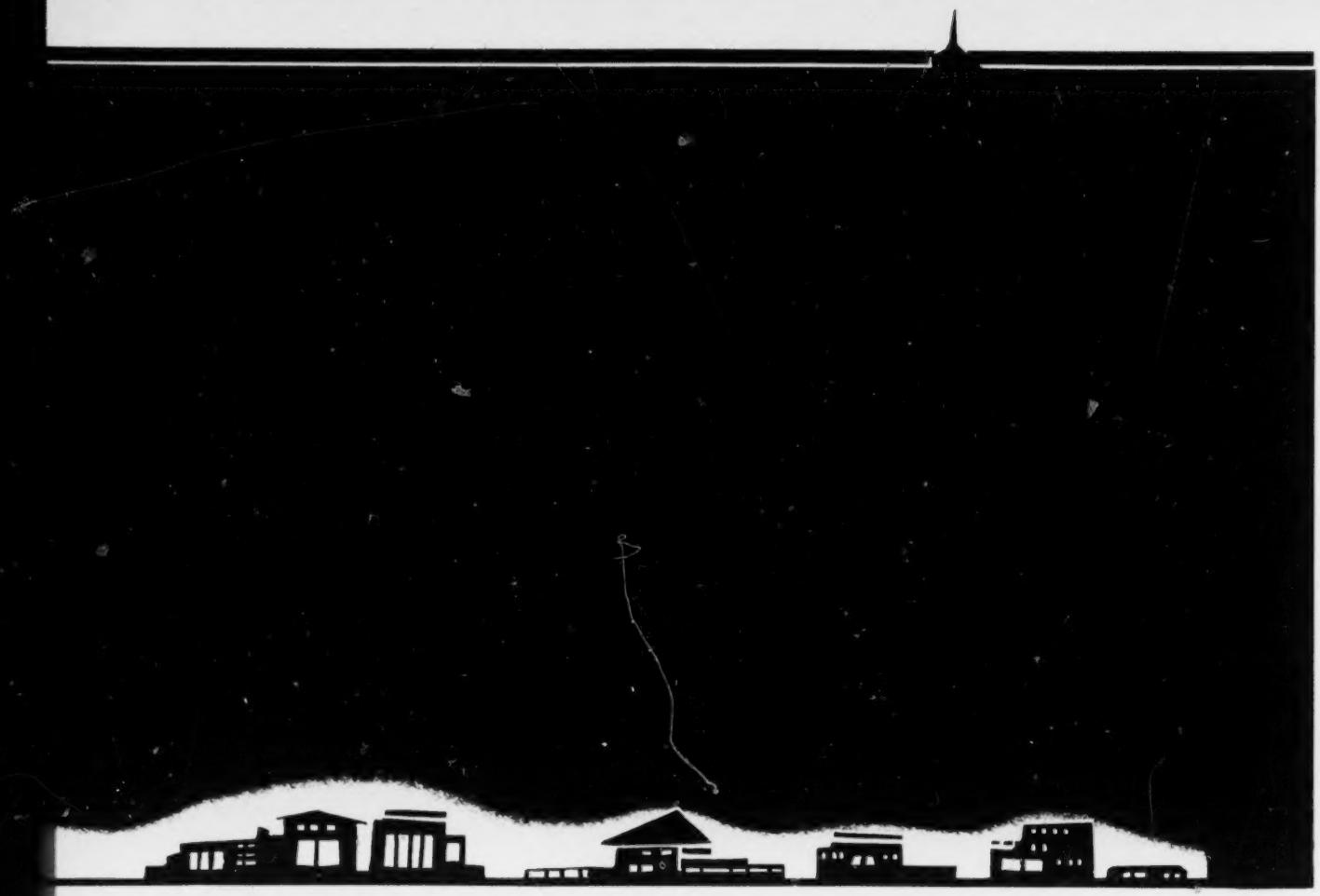
Finally, many small business owners are today frustrated by the creation of new depreciation and capital gains tax structures designed to benefit firms that are both profitable and making new capital investments — a "double whammy" for a restaurant simply trying to keep its doors open and its employees off the unemployment lines. At the same time, 1981 changes in estate tax law and reductions in taxes for individual filers are substantial small business benefits.

Great promise...

If the high cost of capital is the greatest threat to small business, there are other trends which hold great promise. (See this month's interview in Washington Report.) The current political environment promises an accelerated program of regulatory relief. Excessive federal regulations have been a key problem for small businesses over any of the last 20 years. In fact, when Vice President Bush completed the collection of specific complaints in the first work of this administration's Regulatory Council, he noted that the small business contribution should have been more significant, and instructed Commerce Secretary Malcolm Baldrige to set up a "hot line" to receive additional input from small business owners.

During 1980, small business took major steps along this road, when Congress passed the Regulatory Flexibility Act, placing a reduced regulatory burden on smaller firms, and the Equal Access to Justice Act, allowing small businesses to claim legal fees from government agencies which brought "nuisance" suits.

David Kramarsky is director of communications for the National Small Business Association, an association of 55,000 small companies.



All the mechanisms are in place — and the surviving small businesses should enjoy the freedoms permitted by the free enterprise system. And even though it now seems likely that the U.S. Small Business Administration will be among the Federal agencies cut back in the Reagan budget cuts, the very fact that our government is working towards greater fiscal responsibility should do more for small firms than programs which, at best only helped a minute segment of the small business community.

Small business needed...

The successes small business has enjoyed in the arena of public policy have not come about by accident. Over many years, thousands of business owners and their paid representatives have worked to make the point that this country's small businesses must be preserved — not because of a nostalgia for the "good old days," but for sound, practical economic reasons. Small businesses make contributions to the U.S. economy that no other entities can make.

The recent increase in the rate of bankruptcies can be tied directly to the increase in interest rates — that much is clear from the figures. At the same time, another trend is taking hold — unemployment. Since the 14 million small companies in this country employ about 70 percent of the working population and create more than 90 percent of all new jobs, when small businesses start to suffer, the workers dependent on those businesses suffer as well. November's increase in unemployment is not exclusively the result of small business suffering, since many big companies are hurting as well — but it must be noted that several of our industrial giants have been cutting back for several years, and only now is the effect starting to be felt.

Beyond the contributions to employment, small businesses provide fully half of all innovations and inventions in our economy — at about four percent of the cost such research and development progress costs in a giant company (so much for the argument about efficiency). That's important too, because small business leads the way into new products and new industries. And today it is leading the way into a restructured U.S. economy — one that may not be based upon the rule of heavy industry. From computer services to genetic engineering to, yes, restaurant businesses, the American economy is making its greatest productivity gains in the service sector — and the small businesses that form the vanguard of each new industry are leading the way.

A continued effort...

It will take a continued effort to make sure that small businesses are allowed to survive. Some, of course, are not now threatened. But young, small innovative companies are not like larger firms — their needs are different in everything from capital to employment policy to tax structures. That point, repeated often enough, is the single understanding that will enable policy-makers in Washington to plot the course of an economic recovery that ends up leaving the economy as broad-based and strong as the economy that built this country into a world leader in productivity as well as politics.

WASHINGTON REPORT

NRA renews opposition to beef-grading changes

NRA is continuing its efforts to counter a National Cattlemen's Association (NCA) proposal for lowering the U.S. Department of Agriculture's (USDA) beef-grading standards. "The cattlemen should consider our needs since we buy a quarter of their products," said NRA Chairman Walter Conti. "If these proposals are adopted, restaurateurs will find it next to impossible to locate dependably tender and palatable beef."

The cattlemen have asked USDA to change current grading standards by redesignating lower grades of beef into higher grade levels. NRA believes this proposal would lower the quality of beef that is now graded Choice and Prime — grades used extensively by restaurateurs.

"To put our position in a nutshell," NRA President Robert Bradford said, "the restaurateur sees himself as the guardian of beef quality. His guests still want the best in beef, and he wants to provide it. He believes that the cattlemen's proposal will make it difficult, or impossible to obtain the quality of beef in the quantity needed."

USDA has submitted a grade-change proposal to the Office of Management and Budget (OMB) that is said to be similar to the cattlemen's proposal. USDA will publish the proposal in the *Federal Register* once OMB has completed a review of it.

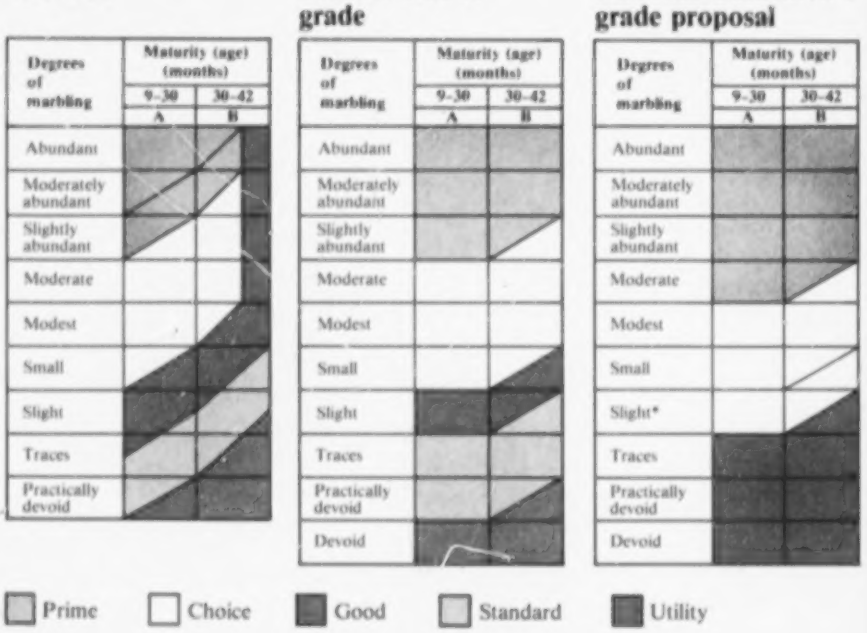
NRA met in November with other concerned trade groups, such as the National Association of Meat Purveyors, to discuss ways of fighting the proposed changes. In earlier meetings with USDA and OMB, NRA has stressed that restaurateurs — who sell about 25 percent of all beef consumed in the U.S. — need high-quality, marbled beef in order to satisfy their customers.

The cattlemen's proposed changes would make it extremely difficult for operators to purchase this kind of beef.

Under the NCA proposal, the Prime grade would be lowered to include some beef that is now designated Choice, and Choice would be expanded to include beef that is now graded Good. Under this proposal, the majority of all USDA-graded beef would qualify as Choice, making this grade nearly meaningless for both operators and consumers.

"The discriminating restaurant patron demands top quality in the beef he is served when eating away from home," said NRA Director Jack Webb. "If the patron does not receive what he expects, he either does not return to the restaurant or he comes back and chooses another type of entree. It is imperative that the USDA grading standards are restored to a useful buying guide."

In an effort to restore consistency to the standards, the NRA Board of Directors voted in May to urge USDA to return to grade designations used prior to 1976. The NRA believes that the pre-1976 designations would allow the foodservice industry to offer its customers better quality beef entrees.



*From a carcass with 0.3 inch backfat over 12th rib, and that has no fat that is more than "slightly yellow."

NRA Chairman Walter Conti (above) is concerned that a revision of the USDA beef grading standards will make the entire system useless to restaurant operators.

In 1976, the USDA lowered its standards to allow leaner beef into the Prime, Choice and Good grades. After this change, many quality steak houses were forced to replace two or three beef entrees with pork or other items to reduce customer complaints of tough, unpalatable beef. With leaner beef in the Prime and Choice categories, restaurateurs could not ensure the palatability of their product.

An NRA survey shows that palatability — tenderness, flavor and juiciness — is directly related to marbling. Thus, the NCA's recent proposal would only compound a problem that began in 1976. The solution, NRA maintains, is to restore the integrity that existed in the standards prior to that year.

Nor does NRA believe that placing leaner beef in the Choice category will help those consumers who are seeking less fatty cuts for dietary reasons. Lean beef should be properly labeled so that customers can identify it.

The NCA proposal also would drive up the cost of Prime and Choice products. NRA research indicates that if the NCA proposal had been in effect in 1979 and 1980, the cost of beef carcasses to users would have been about $200 million more than under the current grading system. Buyers of beef who require fairly narrow grade/quality specification, such as restaurateurs, would be able to rely less on the grading system and would have to rely more on purchasing by personal inspection of carcasses. The costs to such users would be substantial.

History of beef grading

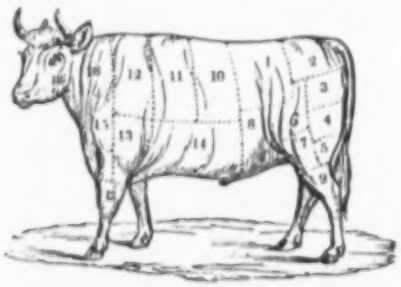
Beef grading standards were originally developed by the U.S. Department of Agriculture (USDA) in 1916 to aid in tracking available quantity and quality. Largely through the efforts of cattle producers, grading was refined and expanded to the point where government grading services were offered to the meat industry on a voluntary, fee-for-service basis. The cattle producers, in urging expanded federal standards, contended that if beef quality could be identified, consumers could buy beef with greater confidence and would, therefore, increase their overall consumption of the product. In effect, the beef grades were established to provide a system through which consumer preferences, as reflected in the marketplace, could be communicated through the marketing chain.

In 1926, marbling — flecks of fat within the lean — was recognized as a major factor in evaluating the quality of beef. In 1939, one of the seven occasions since the mid-1920s when the grading standards were revised, maturity was established as an important additional factor for setting quality standards. These two considerations — marbling and maturity — are still the principal factors in beef grading.

Currently, beef grades are designed to identify differences in characteristics associated with palatability — tenderness, juiciness and flavor — and the yield of retail cuts from the carcass.

Eight grades are currently used to identify differences in quality: Prime, Choice, Good, Standard, Commercial, Utility, Cutter and Canner.

In the last 10 years, the percentage of beef offered for grading has declined from nearly 65 percent of all beef produced to 56 percent. The percentage of beef graded Choice — the largest category — has increased from 79.6 percent to 89 percent during the same period.



Outline of cattlemen's proposed changes

1. To lower the present Prime grade by raising the top marbling band ("moderate" marbling) in Choice into the Prime category.

2. To lower the present Choice grade by moving what is now graded as Good ("slight" marbling) into the Choice category, provided that, a) the carcasses have at least 0.3-inch fat thickness opposite the ribeye muscle at the 12th rib and b) the external fat is no more than "slightly yellow."

3. To lower the present Good grade to include all carcasses now included in the Standard grade ("traces," "practically devoid" and "devoid" marbling), plus all carcasses in the present Good grade which have either, a) less than 0.3-inch fat thickness opposite the ribeye muscle at the 12th rib, and/or b) external fat which is more than "slightly yellow" in color.

4 To consider changes in nomenclature for all C, D and E maturity carcasses (those more than 42 months old) which are primarily intended for manufacturing beef.

Department of Labor reviews child labor rules

The Department of Labor (DOL) is currently reviewing child labor rules pertaining to hazardous equipment usage and restrictions on the number of hours teenagers can work. "NRA is hopeful that changes which result from this DOL study will be advantageous for the foodservice industry and its employees," stated Chairman of NRA's Government Relations Committee Joe Lee.

NRA has specifically requested DOL to consider dropping rules which forbid teenagers from using pizza-making machinery, power-driven mixers and slicing machines — all of which have safety features that protect their users.

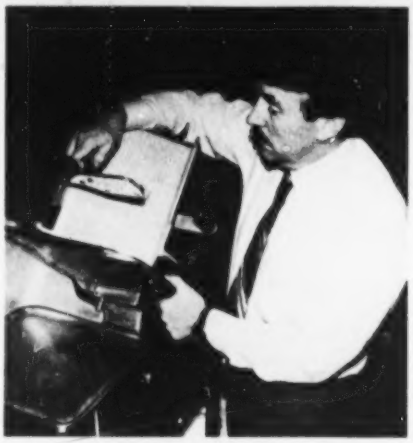
"NRA and other trade associations have complained for years that the rules should be changed to reflect the technological advances in machinery that have removed many of the dangers from which the laws were intended to protect young people," explained Lee.

The rules governing child labor were first issued after passage of the Fair Labor Standards Act in 1938. The last major review of the rules came 20 years ago when the act was amended by Congress in 1961.

These rules are undergoing scrutiny as part of a review process implemented earlier this year by the President's Task Force on Regulatory Relief.

A problem unique to the foodservice industry is that no child labor rules have ever been enacted that apply specifically to teenagers working in restaurants. Instead, DOL has applied Hazardous Occupation Order Nos. 10 and 11 to the foodservice industry. Order No. 10 deals with the slaughtering, meat packing and meat processing industry, while Order No. 11 deals with the bakery industry. "The effects of applying these two orders to the foodservice industry have been anything but satisfactory," stated Lee. "Operators are left in a position of not knowing what equipment teenagers are allowed to operate in a restaurant kitchen."

As a result of these arbitrary interpretations by DOL, it is not uncommon for foodservice operators to refuse to hire anyone under 18 years of age because of unfavorable publicity that arises from alleged child labor violations. Operators also do not want to risk the cost of such violations which are computed at up to $1,000 for each violation. Second-time violations are considered intentional and penalties can be up to $10,000, plus jail sentences.



NRA director and member of the Technical Services Committee, Jerry Burtenshaw, inspects safety equipment on a meat cutter which teenage employees are restricted from using under the current Department of Labor regulations.

For the past several years, NRA has requested that DOL revise these rules, but each time DOL consistently has said that it did not want to make changes until it has completed its review of Hazardous Occupational Order Nos. 10 and 11. NRA attorneys now hope that under the Reagan review some positive changes will be forthcoming.

In a move to update some of these regulations, last year DOL ruled in favor of an NRA request that pizza dough rollers be exempt from Hazardous Occupation Order No. 11.

Although DOL maintained that the use of rollers is a violation of the order, it nevertheless told NRA that it would not prosecute restaurants where 16 and 17-year-olds operated the rollers, provided adequate safeguards were maintained.

The Department of Labor is also examining rules that limit the hours that 14 and 15-year-olds may work in restaurants. Currently, young teens may work no more than three hours on a weeknight during school or 18 hours a week during the school term.

Decontrol of natural gas delayed

In early November, the Reagan administration announced that it will delay efforts to decontrol natural gas prices. Indications are that a decontrol proposal may not come until after this year's elections, although a measure could be introduced early in this congressional session if the White House decides to push its proposal forward. The administration has held back on decontrol because of consumer opposition and congressional reluctance to take up the controversial issue.

President Reagan promised during his campaign that he would seek the immediate removal of price controls on oil and natural gas. Shortly after he came into office, he lifted the controls on oil. The oil controls were due to expire by the end of September 1981. Due to large U.S. crude oil inventories as a result of conservation efforts, there was little increase in prices or political fallout because of oil decontrol.

Natural gas is a different story. Under the terms of the current Natural Gas Policy Act, the wellhead price of newly discovered natural gas will not be deregulated until after 1985. Although no one knows for sure how fast prices would rise if natural gas were decontrolled prior to 1985, many consumer groups argue that some customers' gas bills would increase twofold as a result of total and immediate decontrol.

One of the problems with the current law, economists say, is that by 1985 it may be much more difficult to decontrol gas than it would be to do so now. This is because of the huge price disparities that would exist between controlled and decontrolled gas. Many experts even believe that Congress will have to extend controls beyond 1985 for fear of having huge price increases. The sooner natural gas is decontrolled, according to free market advocates, the smaller the effect of the rise in prices will be in the long run.

Last May, NRA's board of directors voted to support decontrol of energy prices if it would ensure future availability of natural gas. "The key word is availability," stated NRA Chairman Walter Conti. "If we can ensure avail-

ability of low cost natural gas without decontrol, we will not rush to support decontrol." NRA believes, however, that decontrol and the resulting higher cost of natural gas would step up the development of new and alternative fuel sources and encourage conservation. The result would be a more secure and stable supply of competitively priced natural gas for the nation's restaurants.

According to an NRA survey, approximately two-thirds of the energy consumed for cooking, heating water, and room heating by the foodservice industry is in the form of natural gas.

Because it is a complex issue affecting a wide spectrum of interest groups, neither Congress nor the White House is eager to take up decontrol.

President Reagan was undoubtedly swayed in his decision by the obvious reluctance of congressional Republicans to take up the decontrol issue. Senate Majority Leader Howard Baker (R-TN) said that Congress would not pass a gas decontrol measure without also passing some kind of windfall profits tax on natural gas. The President has vowed to veto such a tax, making prospects for a decontrol bill difficult.

Current law provides for a staged increase in prices for newly discovered gas, culminating in removal of all controls on such gas by 1985. But controls will remain indefinitely on "old" gas — gas already flowing as of 1977. A cabinet-level group in the Reagan administration has recommended accelerating the decontrol of new gas and removing controls from old gas.

NRA member shows success of grassroots involvement

"One person can make the difference," the old adage says. And it holds true in Washington, despite the complexity of modern congressional politics. As one NRA member recently found out, congressmen do listen to their constituents, and individuals can, indeed, play an important role in formulating our nation's policies.

Jack Welch, an NRA member since 1979, operates a group of restaurants in Basking Ridge, NJ. This summer, Welch noticed an article in the *NRA Washington Report* that described a measure gaining support in Congress which would exempt the malt beverage industry from certain anti-trust legislation. Recalling the harmful effects a similar soft drink law had on his operation last year, Welch realized the new bill — the Malt Beverage Interbrand Competition Act — could hurt his business. So he acted. He contacted the office of his congresswoman, Millicent Fenwick (R-NJ), to make known his concerns about the bill.

Fenwick's office informed Welch that the congresswoman had become a co-sponsor of the bill because of its similarity to the Soft Drink Interbrand Competition Act passed by the 96th Congress. Welch told Fenwick's staff that the soft drink act had resulted in disastrous effects for his six restaurants and that the malt beverage bill would have similar consequences. Although he did not know it at the time, his actions were to cause Fenwick to reassess her thinking on the bill and eventually withdraw her name from the list of co-sponsors.

The *NRA Washington Report* article argued that the bill would limit competition among beer distributors selling the same brands within given geographic areas. Any restriction on the number of vendors would result in higher prices for malt beverages as well as potential delivery and servicing cost increases for restaurant operators.

Welch's personal experience with soft drink distributors bears out this contention. He informed Fenwick of the negative effects of the soft drink bill.

- The three to four soft drink vendors serving his area were reduced to one.
- 24-hour service on soft drink dispensing equipment was reduced to the point where now, Welch says, "I'm lucky if I have something serviced within a week."
- Syrup deliveries previously made twice-weekly began arriving once per month.
- "The distributor told me not to continue depending on him for spare parts and to have my own on hand," Welch said. "And I had to purchase many pieces of equipment that I previously rented from the distributor."

"All of these unexpected changes caused me to devote more space to syrup container storage, invest more money in equipment, service my own equipment, accept deliveries at inoppor-

NRA member Jack Welch was able to convince his congresswoman, Millicent Fenwick, not to support the potentially harmful Malt Beverage Interbrand Competition Act — proving one person can make the difference.

tune times and order by the month instead of by the week. But worst of all, I could not longer choose which distributor I would do business with," Welch said. Because of these additional business expenses, Welch was forced to increase soft drink prices in his restaurants by 50 percent.

He told Fenwick's office that already service is poor in three of his restaurants that are compelled, because of their location, to receive deliveries directly from the brewery rather than independent distributors. "Deliveries to these three restaurants are sporadic and often arrive during peak meal periods. The stock is not rotated by the delivery men and the possibility of prompt deliveries during emergency situations is unthinkable.

"I have every reason to believe that if monopolistic territories are adopted for beer distributors, the problems I now face in these three restaurants will extend to my other three operations. I foresee higher costs as a result of having to increase walk-in refrigerated storage space, rotate my own stock and prepare for emergency supply shortages.

"The monopolies created by anti-competitive legislation like this will create an absolute horror show for single unit operators. First, the soft drink industry, now the beer industry. Who will be the next to request monopoly privileges?" Welch asked.

As a result of Welch's contact with Fenwick's office, both written and by telephone, Rep. Fenwick changed her mind on the malt beverage bill. On Nov. 10 she stood up on the House floor and asked to have her name removed from the list of co-sponsors of H.R. 3269, the Malt Beverage Interbrand Competition Act.

Speaking to *NRA News* later about her decision, Fenwick said, "Mr. Welch explained what happened to his service after the soft drink bill was passed — how his weekly deliveries became monthly and how repairs that used to be done overnight couldn't get done for a week. This is the wrong environment. I was wrong to support H.R. 3269. It's better to have an absolutely free market."

Can one person still make a difference in Washington? Fenwick thinks so. "I wish people would only realize that it's not hopeless. Government does listen. There are cases where one letter from a constituent has changed regulations nationwide."

"We at NRA applaud Welch's efforts on behalf of the industry and encourage others to get involved in the legislative process," said NRA President Robert E. Bradford. For more information on how you can participate in NRA's grassroots lobbying program, contact Steve Finn, director of government relations at the NRA Washington office (800) 424-5156.

1981 laws consider small business needs

Three new laws passed in the 96th Congress will be of special help to the small businessman in coming years. The new laws — the **Equal Access to Justice Act**, the **Regulatory Flexibility Act** and the **Paperwork Reduction Act** — are designed to ease regulation of small business, reduce paperwork and give small businessmen a fighting chance in government-instigated court suits and agency rulemaking.

Regulatory flexibility...

The Regulatory Flexibility Act, which became effective Jan. 1, 1981, forces federal agencies to consider the impact new rules may have on small businesses and to tailor their rules accordingly.

The law requires agencies to publish a regulatory calendar each April and October, listing areas for rulemaking, summaries of guidelines and their possible economic effect on small firms, as well as a schedule of proposed implementation. In other words, the act requires federal agencies to think about the impact regulations will have on small business at the beginning of the rulemaking process instead of at the end.

Also, agencies proposing new rules must prepare an initial analysis of regulatory flexibility. The analysis must estimate the number of businesses affected as well as recordkeeping, reporting and compliance requirements. The proposed rule then is published in the *Federal Register*, and notification is sent to trade associations, business groups and small businesses. (For more details on this act, see the interview with Frank Swain, chief counsel for advocacy, Small Business Administration, in this issue.)

Equal access to justice...

The Equal Access to Justice Act, which became effective on Oct. 1, 1981, is designed to make the federal government more responsible in its legal dealings with small businessmen. The act says that if the federal government takes a small business to court and that business prevails, then the business is entitled to recoup from the government the cost of the litigation.

An individual can qualify under the act with a net worth of less than $1 million, a business or trade organization can with a net worth of less than $5 million, and other groups can qualify with less than 500 employees.

NRA supported this act as it went through the legislative process in 1980, particularly since the high cost of defense against government suits deters foodservice operators from challenging many rules that adversely affect the industry.

Reducing the government's paperwork burden...

In 1980, Congress passed the Paperwork Reduction Act. The act places a limit on government forms and paperwork by requiring agencies to submit a "paperwork budget" to the Office of Management and Budget (OMB) each year. Agencies are given a limit by OMB on the volume of paperwork they can require the business community to fill out and the length of time (measured in "burden hours") it will take the average businessman to complete such paperwork.

The paperwork budget process works in the same way as the regular federal government budget process: The OMB reviews each agency's paperwork budget and determines how many burden hours can be imposed on the public.

OMB hopes to achieve a net reduction of 15 percent in paperwork during fiscal year 1982, which began on Oct. 1, 1981.

Administration works to decrease regulatory burden on small business

To champion more effectively the causes of small business and to help it survive in the economic marketplace, in 1976 Congress created the post of chief counsel for advocacy within the Small Business Administration (SBA). The chief counsel is appointed by the President and confirmed by the Senate.

Charged by law to serve as an independent voice for small business within the federal government, advocacy's mission is to study the role of small business in the American economy. To do this, the chief counsel must analyze the needs of small business in maintaining the needs of small business while working on policies and programs that will create a healthier environment for small business.

When President Reagan came to Washington last year, he appointed Frank S. Swain to be chief counsel of SBA. Prior to assuming his new duties at SBA, Swain served as legislative counsel to the National Federation of Independent Businesses (NFIB). In the following interview with NRA News, *Swain discusses issues that affect small business.*

NRA: Could you comment on the recently enacted Regulatory Flexibility Act, which your office administers?

Swain: The Regulatory Flexibility Act is the basic statute that allows this office to play a major role in regulatory actions that affect small business. It has allowed us to make sure that federal agencies which are heavily involved in regulatory activities document the impact that the regulations have on small business. The Regulatory Flexibility Act has opened up the whole regulatory process to analysis.

We have already used the new law in comments on the Department of Labor's (DOL) Davis-Bacon rules and the DOL's Office of Federal Contract Compliance Affirmative Action rules.

Also I'm involved in active negotiations with the administration's task force on regulatory relief. Currently, we are trying to get the Vice President to officially announce the use of the Regulatory Flexibility Act as a major tool for regulatory relief from rules that are already on the books.

SBA Chief Counsel for Advocacy, Frank Swain

The Reagan Administration has been somewhat successful in reducing the rate at which new regulations are issued, but now we are faced with the problem of addressing all of the regulations that have already been enacted. We need to simplify or eliminate these regulations if there is no longer a need for them.

Q: One of the things that concerns our members is the SBA's proposed changes in its small business size standards. What is the status of this proposal?

A: My understanding is that this proposal is not going anywhere at this time. There was a great deal of dissatisfaction with the proposal when it was first announced. People recognized it as a political hot potato. Still, I think there is general support within the agency for changing the standards away from a financial standard — which is what they are now — to an employment-related standard. This is because financial standards must be continually adjusted for inflation and other economic factors. Employment-related standards are, most people feel, a better measure of what is now a small business. But beyond that, there is very little agreement as to what standards we should have.

Although the size standard question has not been getting headlines in the last several months, I think it is going to come up again when the larger question of how much lending authority the SBA will have in the future is discussed. Many people feel that the Small Business Administration has placed too much focus on lending and not enough focus on looking at those policy questions that have a much greater impact on the entire small business community.

Our basic loan programs are being seriously analyzed and we may not have the amount of lending authority that we have had in the past. So it certainly makes sense to change our size standards to reflect the scope of our future lending authority.

The SBA will probably get out of the direct lending business entirely in another year or so, and our guaranteed loan program will probably be curtailed by anywhere from 10 to 30 percent, depending on what the Congress ultimately decides. The SBA guaranteed loans are that type of off-budget lending that many economists charge adds greater pressure to the credit markets and drives up interest rates for everybody else. So SBA loans, HUD (Housing and Urban Development) loans, VA (Veterans Administration) loans and every other kind of government loan are being seriously examined.

Q: What else is in store for the SBA?

A: Again, I think you will see the agency move away from lending to the types of activities that we think have greater long-term significance to the small business community, and which, by the way, do not cost as much money. Clearly, we're talking about management assistance. It does no good for somebody to get a loan if they don't know how to keep inventories, how to place orders or how to meet a payroll. Study after study shows that the majority of businesses that fail do so because of poor management. I think about 60 percent of small businesses that fail do so in the first five years. Most of those business failures can be traced to failures in management. (See article on financing in small business for information on SBA's management programs.)

Q: A major concern for small business now is high interest rates. What is being done about that?

A: Our office is concerned about the whole question of availability of credit — whether small businessmen can get enough money at a moderate cost from a bank to get started and to keep going. It is a very important issue to small businesses because they do not finance themselves through issuing stock, which is what most large companies do. Small businesses finance themselves through debt and through loans.

There is currently a major debate in Washington regarding all the federal banking regulations, and, of course, that is going to have a big impact on small business. Our office recently completed a survey of small business on credit issues. Questions included where small businesses are getting credit and whether they are satisfied with their source of credit. A number of associations, including the NRA, have helped us to distribute it, and we are getting a great deal of response.

The survey results will help us take a position in these banking law debates, so I think it is important that we know where the small business community stands. When the banking laws are changed, it may have a very profound impact on the business community.

Q: What do you consider to be the most important small business issues for the 1980s?

A: I think that small business really has to focus more attention on government at the state and local level. One of the exciting things about being in Washington now is that some very basic questions about government are being debated. We are no longer tinkering with mechanisms and asking how can we change this rule or that program; instead we are asking whether these rules or programs ought to exist. If the Reagan administration is at all successful in its new federalism — that is, shifting the focus of decision-making away from Washington to the local communities through the states — then it will be very important for business to be concerned about and involved in state and local government.

Really, many states are more strict than the federal government in various types of regulations. The states, we have found — both from hearing from small businesses and studies that we have done — have a tremendous impact on small business as far as regulations and taxes are concerned. And so I think it is not going to be enough to blame Washington anymore. In fact, I hope Washington is on the road to curing itself. Small business owners are going to have to be very concerned about the level of response they get from people in their state legislatures and their city and county governments. (To keep track of what is happening on the state level, read *NRA News'* monthly department, State Department.)

Social Security also will be a big issue for small business in the future. People in the restaurant industry especially recognize that Social Security is another payroll tax that adds to the cost of hiring a new worker. The more you load taxes up on workers, the harder it is for the small business community, because they are generally labor-intensive. The traditional way of dealing with the Social Security problem has been to raise the payroll tax. We just cannot keep on doing that or else it's going to be a tremendous burden for the small business community.

I think that the current debate on Social Security is healthy, but I am not optimistic that Congress is going to make any changes right away. It's a very sticky issue, and it goes across party lines; it almost gets into generational lines.

THE BOARD ROOM

Conti predicts industry growth in USF address

Last month, NRA Chairman Walter Conti journeyed to San Francisco, CA, to visit with students, faculty and administrators at the University of San Francisco (USF) and particularly its new Department of Hospitality Management. In a major address to the university community and 100 restaurant and hotel executives, Conti spoke of the future of the industry and the role of education.

Citing the *NRA Annual Forecast* published last month in *NRA News*, Conti said that industry sales should climb to $136.7 billion in 1982 for a 1.3 percent gain in real sales. "This will be the second consecutive year in which we have shown a sales gain after correcting for inflation," he pointed out.

This modest recovery is significant, Conti told the audience. "It will set the stage for continuing gains in years to come. Demographics are on our side. Changes in society have made us an essential industry for most Americans."

As we grow, the NRA chairman said, we will look to our institutions of higher learning to guarantee our professionalism. They are a source of the leadership we will need.

Part of the USF McLaren College of Business, the Department of Hospitality Management will enter its second year next fall with 75 students.

NRA Chairman Walter Conti was presented with the Hospitality Executive of the Year Award by the Pennsylvania State University Hotel and Restaurant Society at a recent testimonial brunch in New York.

Laughery tells educators about career opportunities in foodservice

NRA Vice Chairman Jack Laughery told members at the AVA meeting in Atlanta, GA of the many career opportunities in the food service industry.

NRA Vice Chairman Jack Laughery called on thought leaders in vocational education to help inform the public about career opportunities in foodservice. He addressed an audience of over 300 at NRA's Hospitality Education Breakfast at the American Vocational Association (AVA) Convention in Atlanta last month.

Laughery reviewed several case histories of talented people with only high school degrees who rose to high management positions in foodservice companies. "The work is hard but dignified," he said. "Industriousness and imagination are rewarded."

Laughery told his audience that he had worked for Hardee's throughout his career, starting as the manager of a store in Iowa. He is currently chairman of the board and chief executive officer.

AVA represents vocational teachers and administrators from all levels of our educational system. Hospitality educators make up an important segment of the association.

Participants of the first NRA-PEC meeting co-hosted by the Georgia Hospitality and Travel Association gather in Atlanta, GA: (left to right) *front row*, Jack Cashin, Cashin's in Atlanta; Rep. Bo Ginn (D–GA); Victor J. Impeciato of Vittorio's also in Atlanta; *back row*, Pete Peck of W.D. Crowley's Neighborhood Restaurant and Tavern and Guy Thompson of Georgia Hospitality and Travel Association.

STATE DEPARTMENT

NRA Political Education Committee convenes in Atlanta

Academically, the study of government and the legislative process is called political science. To the keen political observer, it is considered an art with very few absolutes and no predictable outcome. To the individual in business, more often than not, government is neither a science nor an art, but some mysterious obstacle in the way of efficient and profitable operations.

NRA's Political Education Committee (PEC) was designed to take the mystery out of the political process and to unite the entire foodservice industry into an effective, informed political force.

Thirty-five people attended the first NRA-PEC meeting, cosponsored by the Georgia Hospitality and Travel Association (GHTA) and NRA, held last month in Atlanta, GA. During shirt-sleeve sessions on contacting elected officials to arranging addresses by Democratic and Republican congressmen, attendees studied how the foodservice industry can emerge as a powerful segment within the American political scene.

Both Congressmen Bo Ginn (D–GA) and Harold Rogers (R–KY) focused on the importance of the unified industry voice on legislative and regulatory issues which affect the industry.

In his opening remarks, Rep. Ginn stated, "Yours (the foodservice industry) is a most American industry. Since small business is the backbone of this country and the majority of restaurateurs fit into this category, your industry should be able to make a significant difference on any legislation it is interested in."

Citing the impressive employment figures within foodservice, Rep. Ginn noted, "It is undeniable that there is strength in numbers. Numbers do have an impact within the legislative process. Frankly, that's what it is all about."

Expressing his support for the NRA-GHTA political education seminar, Rep. Rogers added a historical perspective. He said, "When business withdrew from the (political) process, what did you get? Government as an enemy." He continued by explaining that business should not lose, particularly during this time of increased conservative thinking.

Emphasizing the potential power of the foodservice industry, Rep. Rogers said, "On a daily basis you contact more people than most any other industry. Your impact on matters of public affairs could be staggering if your forces were unified."

NRA is looking to the state restaurant associations to alert the industry about its ongoing political education campaign. According to NRA Director of State Relations Jim Rogers, "The advice and assistance of the restaurant associations in the planning and conducting of these educational seminars are essential to the ultimate success."

"We need informative political education seminars for the foodservice industry," Bob King, president of GHTA, explained. "Considering the economic scope of our industry, we in Georgia want to raise our political consciousness and legislative effectiveness. One of the key methods for doing so is the education of our members about government. We appreciate the opportunity of working with NRA on such a project."

For further information on the NRA-PEC program, contact Jim Rogers at NRA's offices in Washington, DC.

THE LAW

Courts clash on meal credits

An employer who furnishes meals to his employees may reduce cash wages by an amount equal to the reasonable cost of the meals furnished. For example, if you furnish your employees with meals worth 20 cents per hour worked, then the current $3.35 per hour minimum wage can be paid as follows: $3.15 in cash and 20 cents in meal credit.

The U.S. Department of Labor (DOL), following its regulation on meal credits (29 CFR 531.30), had established four tests that must be met before a meal credit could be taken.

1. The employee's acceptance of the meal credit system must be voluntary and uncoerced.
2. The employer must inform the employee of the amount to be taken as a meal credit and that amount must be acceptable to the employee.
3. Acceptance of the meal credit cannot be made a condition of employment either at the time of employment or at any time during employment. The employee from time to time must be given the opportunity to option in or out of the system.
4. The employer must retain records of all meals eaten by each and every employee — who ate the meal and its actual value.

This summer two different federal district courts heard cases challenging this DOL position on meal credits. The results are mixed.

Morrison case defines issue...

The first case was *Morrison, Inc.* vs. *Marshall*, No. 80-0228-P (S.D. Ala. June 15, 1981). The cafeteria chain contested DOL's requirement of "voluntary and uncoerced" acceptance and DOL's assertion that meals "furnished" must be actually consumed by the employee before an employer can take a credit for them.

The court here sustained the requirement of voluntary and uncoerced acceptance but indicated that an employee may agree as part of his employment contract to accept the employer's meal plan, and he will be bound to some extent by that agreement. But the court's opinion is not clear as to whether employee acceptance of the meal plan can be made a condition of employment, and whether or how often an employee must be given the opportunity to drop out of the meal plan after initially accepting it.

The later decision in *Davis Brothers, Inc.* vs. *Marshall*, No. C80-970 (N.D. Ga. Sept. 17, 1981) is significantly different from *Morrison*. The *Davis* decision agrees with *Morrison* that employee acceptance of the meal plan must be voluntary and uncoerced, but the court in *Davis* goes further in upholding the DOL position that all meals must be actually consumed to enable the employer to take a meal credit. In so stating, the *Davis* court not only disagrees with the *Morrison* decision but also overturns precedent in its own district, the earlier case of *Melton* vs. *Round Table Restaurant, Inc.*, 20 WH cases 532, 534 (N.D. Ga. 1971). The *Davis* decision is being appealed, and NRA will file an "amicus" brief, challenging the DOL position and arguing in favor of the rationale accepted in *Morrison*.

At this point, the effect of both the Morrison *and* Davis *decisions are limited to their respective judicial districts. The Department of Labor can be expected to continue enforcing its restrictive interpretation of the meal credit until such time as the matter is finally decided in the courts or NRA and other groups are successful in lobbying DOL to change its position.*

Small business: legal help on the way

Government interference with business has been particularly hard on small operators. Many foodservice operators, faced with edicts from the U.S. Department of Labor (DOL) compliance officers, Internal Revenue Service agents, or other bureaucrats, usually have given up the fight and paid the fine. The alternative — costly, time consuming litigation against numerous well-financed government legal staffs — was beyond the reach of most small business people.

NRA aids in test cases...

One of those places is NRA — thanks to the establishment of the NRA Litigation Fund. The purpose of the fund is to aid in bringing to the courts test cases that can result in favorable rulings in legal areas important to the industry as a whole. The fund is not a substitute for NRA's continuing lobbying efforts before Congress and the administrative agencies in Washington, but merely a recognition that some regulatory problems are impossible to solve without litigation. In many cases, small business operators cannot bear the cost of litigation alone.

There are limitations. The fund's resources are not sufficient to cover every case that has merit. NRA, as a tax-exempt trade association, must also restrict its efforts to legal issues which have a significant effect on a sizable portion of the industry.

With the advent of the Litigation Fund, NRA is better able to assist small operators who have strong cases involving legal issues important to the industry. Along with such recent federal laws as the Equal Access to Justice Act (November *NRA News*, The Law), the Litigation Fund gives some small operators new alternatives to their old legal dilemmas.

SMALL BUSINESS

financing in a tight money market

Rebecca Squires

"Creative financing!" laughed Jerry Goodwin, NRA board member and owner of Reese's Coffee House in Denver, CO, when asked to comment on the topic of this article. "I don't know anything about financing creatively — I only know how to do it the hard way."

Jerry Goodwin is right — obtaining financing is difficult and not likely to get any easier during the next few months. Borrowing money either to start a new business or to expand an existing operation, has become much more difficult and frustrating over the past few years. For restaurateurs — whom most lenders consider high-risk venture — it's particularly difficult. Not without reason, the Bank of America says that 80 to 90 percent of new restaurants close their doors within two years after first opening them. And for the small business restaurant owner, who is forced to compete for available funds with larger, potentially more profitable companies, finding affordable financing may look impossible.

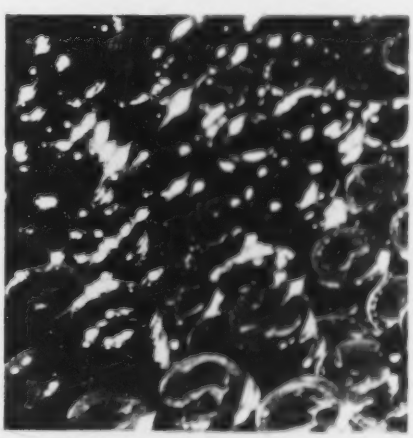
Yet it is still possible to obtain new or additional capital without going broke just paying the high interest. Typically, the small businessman is so busy running his restaurant's day-to-day operations that he has neither the time nor the financial expertise to explore all the financing sources available, get his foot in the right door and then negotiate the best possible terms for his loan.

Creative, alternative or just plain traditional loans — no matter how you label them, they are there and are available.

Don't forget to ask for enough...

Before looking for any financing, consider three important points. First, insufficient financing is one of the major causes of small business failures. Before you walk through a lender's door, you must know what your initial investment requirements are. You can hope to make ends meet only if you plan for every conceivable expense, and then throw in some more for those inconceivable events that are bound to occur.

This requires some planning. You should begin by asking yourself four basic questions.



- What do I need the money for?
- How much do I need?
- How and when will I repay the money?
- Can I afford the cost of the money?

Roger Anderson, NRA board member and owner of Robbie's Restaurant, Inc., in Great Falls, MT, gives advice that is echoed by all financial experts. "You've got to have a detailed package of evidence when you apply for the loan," Anderson explained. "To me, the bare essentials are a feasibility study and a marketing study. The feasibility study is an operating budget to show potential lenders and investors that your restaurant will be able to pay its debts and stay in business. A marketing study will show the kinds of customers you hope to attract, and how your restaurant will fill a need that no one else is meeting."

What kind of money do you want?...

Once you are armed with this ammunition, the next step in obtaining financing is deciding which kind you need — equity or debt. With equity financing, raised either alone or with the help of investors, you avoid loan payments, but you may have to give up some control of your operation. With debt financing — borrowing the money from a financial establishment — you maintain control, but run the risk of having your loan payments outweigh your income. Most small businessmen find it necessary to use a combination of both types of financing.

Rebecca Squires was formerly deputy director of congressional relations for the President's Council on Wage and Price Stability (COWPS).

Financing with Aunt Minnie...

In its simplest form, equity financing involves asking for a loan from your rich Aunt Minnie, who invested in IBM when it was a penny stock and has no one to leave her money to but her cat. "Why, George," she exclaims, "I've been waiting for you to come up with such a wonderful idea. Go ahead, take all you need — just make sure there's some left to support Tabby when I go."

Without rich Aunt Minnies, the capital required to open a restaurant can be staggering, even when the owners cut all possible corners. Yet, people still open restaurants on a shoestring today, raising the money through their own financial holdings. One restaurateur commented, only half in jest, "You might as well sell your house, since you won't be seeing it anyway for the first few years you're in the restaurant business." A more conservative alternative might be obtaining a second mortgage on your house.

Borrow on your life...

Do not overlook your life insurance policy. If you have a policy, you can borrow up to 95 percent of its cash value for an indefinite period, and this loan can be used for any business or personal need. Interest is charged on the loan, but it can often be deferred indefinitely as long as you continue to pay your insurance premiums. Because life insurance policy loans are based on cash that you've already paid in, they carry little risk to the insurance company. Consequently, the interest is generally far lower than a bank's rate.

Look for a silent partner...

For most entrepreneurs, their own money usually is not enough. They seek outside investors, first soliciting friends and relatives, then friends of friends and their relatives. According to the National Federation of Independent Business, almost 30 percent of new business owners get some kind of seed money from friends and relatives.

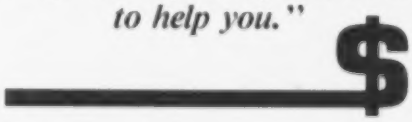
One commonly used method of raising capital, which allows the owner to retain control of his business and still receive the benefit of outside money, is the limited partnership. Limited partnerships are just what the name implies — the owner retains day-to-day operating control, and his partners invest their money in his business, hoping to make more. Should the business fail, the limited partners lose only their initial investment and are not liable for outstanding bills. Further, IRS allows a limited partner to deduct his share of any partnership losses from his personal income tax return.

In the February 1981 issue of *Food Service Marketing*, Financial Specialist Robert Patterson recommends the following method for splitting profits in a limited partnership agreement

- the operating (or general) partner is paid a modest salary or investment fee
- if there are remaining profits, the limited partners then receive a "preferred return" on their investment; Patterson says 15 percent is reasonable and
- any remaining profits after "the preferred return" are split between the operating and the limited partners on a previously agreed-upon percentage.

In many limited partnerships, the agreement carries a provision for the operating partner to buy out his limited partners after a certain number of years, or dollar profits. If the business succeeds, all parties benefit. The operating partner acquires the entire business, and the limited partners realize a substantial gain on their investment.

How do you deal with...
"It's just not worth it for us to go through the paperwork to help you."



A variation on the limited partnership idea is the so-called "silent partner," usually a wealthy person who is seeking to shelter his large income in the depreciation of an operator's business or equipment. With the help of a lawyer or accountant, a small businessman can structure a deal whereby an investor — the silent partner — gets less of the equity (which he doesn't need) and more of the tax benefits (which the businessman in his start-up days probably doesn't require). To encourage small business investment, IRS allows investors to treat losses as ordinary, rather than capital losses, on federal income tax returns — this amounts to $50,000 for an individual and $100,000 for a couple filing jointly.

With this type of arrangement, it is important to specify in advance how your investor will get his money out of your business once his tax benefits expire. Again, a lawyer or accountant can help. And if you don't happen to know of any wealthy people who might be interested in forming this type of silent partnership — and many of us don't — a knowledgeable banker, accountant, insurance broker, stockbroker, or investment banker just might.

Don't let investors trip over a hidden clause...

Whether you find equity funding from family members and friends, or go through the more formal limited partnership arrangement, one hard piece of advice stands out. Be as certain as possible that everybody involved has similar understandings about his risks and expectations. There's no way that you can write a 100 percent iron clad guarantee about the success of your operation, but it is vital that each person knows just what he is getting into. For example, it takes the average restaurant two years to begin showing a true profit. You want to make sure that your family, friends and limited partners are prepared to go through this start-up time — and perhaps even kick in some more money — before realizing a return on their investment.

Sell it and lease it back...

If you own the land on which your restaurant sits, you may want to consider selling it and then leasing it back. This arrangement is a common business practice in Europe and growing increasingly popular in the U.S. By selling your property for cash and simultaneously renting it back from the buyer through a long-term net lease, you can avoid the perils of borrowing and gain capital advantages, too. Your buyer gets new tax breaks (which may long since have expired in your case), and you get an improved cash flow. Since you can structure the agreement to retain most of the prerequisites of ownership — such as the right to remodel or add to the property — in all

ways except title you still own and control it. To ensure the most favorable terms, it's essential to get expert financial help in any type of sale/lease-back arrangement.

Financing through your bank...

Unlike equity financing, with debt financing you do not give up control in your business in return for an investor's money and a piece of the action. Instead, you borrow the money, and

"You've got to have a detailed package of evidence when you apply for a loan...the bare essentials are a feasibility study and a marketing study."

Roger Anderson, NRA director

you are expected to pay it back, with interest. If you cannot or do not repay the loan, you lose the business.

Commercial banks are the largest source of debt financing. They loan practically all short-term (30 to 90 days) money, and over 80 percent of intermediate (one to five years) and long-term (over five years) funds to small businessmen. As in any other business, banks are primarily interested in making a profit. A bank prices its product — money — just as a restaurateur prices his meals. He must allow enough margin to cover the cost of his "goods," his operating needs and his business expenses and still come up with a profit. Over the past few years, the demand for money has been high, and its supply — largely through the efforts of the Federal Reserve System — has shrunk. Thus, the cost of money, following the inexorable economic law of supply and demand, has gone up.

Yet the news is not all bad. The stringent efforts of the Federal Reserve System have finally begun to show some effect. On Oct. 1, the prime rate was 19.5 percent; by Dec. 3, 1981 it had fallen to 15.75 percent. All indications point to its declining still more. The inflation rate is going down, too. The Consumer Price Index was 13.5 percent at the beginning of 1981; by October, it had dropped to 10.2 percent. Most private forecasters predict that inflation will rise only eight to nine percent in 1982.

Rates lower in 1982...

This means that interest rates should be lower for all businesses, including small businesses. Before you can enjoy the benefits of more favorable interest rates, however, you still have to get a loan, and the best way to do that is to know your banker. "It's not a bad idea to treat your banker as if he were a member of your board of directors," explained Roger Anderson.

Right now the banking industry is going through an unprecedented number of mergers and acquisitions, and it makes good sense to keep informed of your bank's and your banker's activities. Relates one sadder but wiser NRA member:

"I'd banked at the same place for 20 years, and a few years ago it was bought out by a big conglomerate. I didn't think much about it until I found myself in need of $100,000 to enlarge my restaurant. The banker I'd started out with had retired — or had been pushed out — when the bank was taken over, and I walked into this sprawling beehive of activity only to be met by some newly minted MBA, still wet behind the ears. I told him what I needed, said I'd been a customer for 20 years and offered my restaurant's land — which I held free and clear — as collateral. This kid told me, 'Bring in your financial statement.' I replied, 'We've had a perfect credit with you for 20 years. Doesn't that mean anything?' 'Not a thing,' he responded, 'only your numbers.' "

The upshot of it was, the NRA member says, that the bank turned down his loan — not because he was a poor credit risk, but because the bank had plenty of bigger customers. "We can make lots more money lending $10 million than we can $100,000, so it's just not worth it to us to go through the paperwork to help you," the bank told him.

This story has a happy ending. The NRA member next went to the bank where he keeps his restaurant's checking account. Once again he was told that it was not worth it to the bank to lend him $100,000 when the bank could make more lending larger sums to bigger accounts. He threatened to take his restaurant's business away — a tactic that shouldn't be overlooked — and finally the loan was granted.

Alternatives to traditional financing...

Whether you are a first-time or a long-term customer, what can you expect when you approach your bank for a loan? Jerry Goodwin echoes Roger Anderson's advice. "You'd darned well better have your bookkeeping, accounting and marketing system laid out in advance," he says. And while it's true that the banking business has changed dramatically over the past few years, this change has not been all for the worse. A sympathetic, empathetic and creative banker — one who knows and trusts his customers — can help a small businessman finance a loan in ways unheard of just a few years ago.

First, he can give you a loan with "flexible" interest rates. Payments on these loans rise and fall with the action of the prime — good news now when the prime is going down, bad news when, as in 1981, the prime rises.

Second, most banks have the authority to waive monthly payments during a restaurant's crucial start-up or expansion period.

Third, graduated payment loans are available for businesses as well as home buyers. These loans provide lower payments during a business' start-up period, gradually increasing as the business grows.

Fourth, banks can provide a fixed-rate, "balloon" loan, designed to amortize itself over a longer period than the life of the loan, thus, in effect, lowering your payments.

Borrowing from business...

Another banking trend has arisen over the past few years that bodes well for small businesses. In the late 70s, multi-million dollar companies — the mainstays of the domestic banks — learned how to issue their own commercial paper, thus by-passing the mid-

dlemen's charges of the banks. In addition, many foreign banks began lending their Euro-dollars to multinational companies at rates their domestic counterparts couldn't match. As much out of self-preservation as altruism, some banks have begun to offer loans to qualified small businessmen at rates below the prime.

Nation's Business recently examined some of these small business loans. According to the magazine, the methods of calculating the interest rates vary among the banks, but the savings can run as high as five percentage points. At the First Tennessee Bank, Nashville, TN, the small business rate is one percent more than the bank's six-month money market certificate rate; at Chemical Bank, New York, NY, the rate is one point above the discount rate charged by the Federal Reserve System on loans to financial institutions. Other banks mentioned that offer versions of a small business prime are the First National Bank of Boston, Manufacturers Hanover Trust of New York and Pittsburgh's Mellon Bank.

If your bank says no, try the government...

If despite carefully preparing your loan request and carefully cultivating your banker, you are still turned down, all is not lost. "I'm from the government, and I'm here to help you," isn't always the world's biggest lie. The largest single money lender to business in the United States is the federal government.

The advantages of government money for small businesses can be lower interest rates and longer pay-back periods. The disadvantages are what you might expect from any government agency — lengthy, detailed loan applications and a much longer turn around time once you have applied for the loan. Yet financial advisors say that going through the red tape of a small business loan application is not always bad. The information required is not only similar to what a bank needs, but it also forces a few small businessmen to put to paper figures that heretofore he may have carried around in his head and nowhere else. And even on bank loan applications, say these advisors, it's a good idea to apply for a loan at least two months before you need it.

Two programs in the federal government are specifically targeted to general business funding: the Small Business Administration's (SBA) 7(a) program and the Business and Industrial Loan Program of the U.S. Department of Agriculture's (USDA) Farmers Home Administration. A third program, the Department of Commerce's Business Development Program, administered by the Economic Development Administration, is on shaky legs at this writing, but it deserves a passing glance. All of these agencies guarantee repayment of up to 90 percent of a loan made by a bank or other financial institution. While the funds available have been affected by the administration's overall budget cuts, there is still enough left to warrant considering them.

The SBA loans of under $500,000...

The Small Business Administration's program is the most widespread and

Small business members surveyed concerning credit needs

Although the government is the biggest money lender in the U.S., a recent NRA survey of its small business members indicates that 69 percent of the respondents had no experience with government loans or loan-guarantee programs.

NRA's survey, mailed out in early November to 7,000 members, studies the flow of credit to small business restaurants, as well as the role of the commercial banking industry and other financial institutions in providing loans to small business.

Of the 600 responses tallied by early December, half of the respondents indicated that local commercial banks meet their credit needs. In contrast, 21 percent reported that their needs were met with some difficulties while 10 percent of the respondents said that local commercial banks did not meet their needs. Seventeen percent had not approached a local commercial bank for credit recently.

SBA labels NRA study creative...

The Small Business Administration (SBA), presented with the preliminary results of the credit poll, praised NRA's efforts as "a most creative approach to the problem." SBA is currently reviewing credit needs to small businesses, and NRA has used the results of the study to prepare informed comments on the issue to SBA.

Only a modest number of the small business respondents had approached nonlocal commercial banks for credit, according to the survey. Twelve percent of the respondents reported their experience with nonlocal banks, but only four percent indicated that these institutions had met their needs.

In response to a general question concerning difficulties obtaining bank credit, 65 percent of the respondents said they had no problems. Nineteen percent replied that they did have difficulties while 15 percent said they did not seek credit.

Suggestions for lenders...

Members were asked if they had suggestions regarding government loan or loan-guarantee programs. They were also asked if commercial banks could make improvements to meet long and short-term credit needs. The most common remark made by the respondents to these two questions was that interest rates should be lowered.

Not enough information available...

More specifically NRA members felt there was not enough information on the types of government loans available. In addition, they felt the existing information available on types of programs and qualifications for the loans was not adequate. Ways to streamline the application process, cut red tape and simplify the paperwork were the major issues NRA members felt need examination.

Similar comments were made when members were asked how commercial banks could make improvements to meet long and short-term needs. Members felt that commercial banks should be more willing to help and work with local small businesses. There was a recurrent complaint that many bankers viewed all restaurants as high-risk businesses and had little regard for the experience and track record of an individual operator.

best known. SBA considers any restaurant with annual sales or revenues of $2 million or less eligible for its help. About 90 percent of SBA's transactions are loan guarantees. SBA does make some direct loans. If your bank refuses to give you credit even with a SBA guarantee, ask SBA about their direct loans.

In 1980, SBA guaranteed 37,000 loans averaging $113,000 apiece. Almost 10 percent of these went to restaurants. Because SBA guarantees the bulk of the loan (90 percent or $500,000, whichever is less), banks consider them a fairly safe risk and interest rates can be lower. And while SBA must, like the banks, be convinced that a business can repay a loan from its profits, it will, unlike the banks, sometimes ignore a losing track record if there are signs in the business that point to a healthy future.

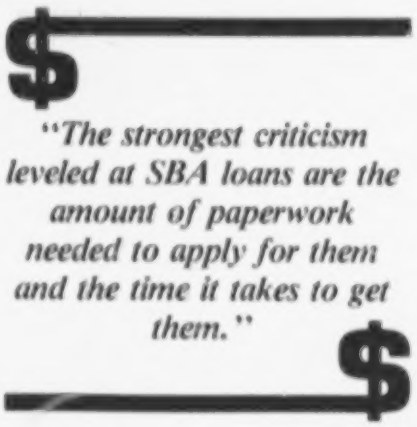
SBA loans are often guaranteed for longer maturities than normal bank loans and SBA has been known, on occasion, to accept a borrower whose collateral does not support the loan's full value.

The strongest criticisms leveled at SBA loans are the amount of paperwork needed to apply for them and the time it takes to get them. Most financial specialists say to count on two months to prepare the loan application and three months from the time you give it to your bank, which in turn gives it to the SBA, for the loan to be approved or denied. SBA has taken steps to reduce the waiting time once you've applied for the loan. It has a certified lenders program with over 500 banks across the country and, under this program, SBA will review the bank's credit analysis of a loan application and return its answer within three working days after receiving the guarantee request.

Contact your nearest Small Business Administration field office for further information about their loans; they are listed in the phone book under "U.S. Government." And you should not hesitate to write your congressman and senators if you want more information. (See interview in Washington Report this month.)

Help available for rural residents...

If you live in a rural area — defined as any locality with fewer than 50,000 persons not next to a city where there are more than 100 persons per square mile — you may be eligible for a loan under the Farmers Home Administration's Business and Industrial Loan Program. Like SBA, Farmers Home Administration (FmHA) will guarantee up to 90 percent of a bank loan to qualifying loan applicants. Unlike SBA, there's no set maximum to the amount of the loan, but they rarely go above $50 million.



"The strongest criticism leveled at SBA loans are the amount of paperwork needed to apply for them and the time it takes to get them."

FmHA loans can be made for virtually any business purpose as long as they preserve or create rural employment. FmHA guarantees 30-year loans for real estate; 15-year loans for equipment; and seven-year loans for working capital. There's no set limit on interest rates, although state usury laws apply.

During fiscal year 1981, FmHA had a guaranteed loan authority of $731 million. This has been cut to $300 million for fiscal year 1982. The key contact person for further information about these loan guarantees is the FmHA supervisor in your county. There are over 2,000 such supervisors across the country and you can locate yours by checking the phone book under "U.S. Government, Department of Agriculture." Again, do not forget your congressman and senators.

Help for city dwellers...

Unfortunately, there's no agency that corresponds to FmHA for city dwellers. In 1965, Congress set up the Economic Development Administration (EDA) under the Department of Commerce, and one of its duties is providing direct loans and loan guarantees to areas with high unemployment rates. These loans were hardly ever for less than $500,000, and the Commerce Department found that in 1981 40 percent of them were not paid back. As a result, EDA has come under heavy fire from the administra-

tion and the Congress. While it seems likely that EDA will get some funding, it is not making any new loans until its budget is resolved. EDA has six regional offices and you may want to get in touch with the one nearest you for further information, but they suggest waiting a few months.

Holding businesses in the city...

The news is not all bad. Big city officials grew tired of seeing businesses relocate to the suburbs, thus reducing their tax base and increasing their unemployment. New city finance agencies have been formed to encourage small businessmen to remain, expand or relocate in the cities. These groups can help a small businessman obtain financing — often through a combination of private and government sources — and sometimes give financial and managerial help, too. Some of these groups are public, some private and many a combination of both. Since the organizations go under a wide variety of names, the best bet is to contact your mayor's office. NRA has a list of the economic development contacts in each of the 50 largest cities; write to NRA's Information Service in Washington, DC for a copy.

Commercial financial companies depend on collateral...

There are times when you may be turned down by a bank, and going to government sources is not feasible or desirable. Commercial finance companies exist to fill this gap. Both new and established businesses can turn to them for many of the same loans offered by banks. While commercial financiers, like bankers, are concerned about a company's ability to repay a loan, they are often more willing to rely on the quality of a firm's collateral rather than its previous track record or its future profits forecast.

Finance companies may, for example, provide two-to-five-year term loans secured by equipment you already own. Longer term loans may be secured by real estate. And some commercial finance companies have begun to make partially or totally unsecured long-term loans, although they will go through the same type of analysis a bank uses in determining your restaurant's profitability. Since Jan. 1, 1980, small businessmen have been able to obtain SBA-guaranteed loans from commercial credit companies as well as banks.

Because commercial credit companies incur higher risks than banks, and because they often borrow some of their loan funds from banks and in turn lend it out, their interest rates are usually higher.

Let the seller finance your loan...

If you are buying a business from someone else, don't overlook the possibility of seller-financing. In this era of high interest rates, seller-financing has become increasingly popular for both home and commercial buyers. While the seller assumes part of the risk if you should fail, he has strong advantages — he can get a higher interest rate from you than he would if he deposited the money in his savings account and, should the business fail, he still gets what is left. And buyers can almost always get more favorable interest rates from the seller than from a bank.

O.K., I've read the article, but now what do I do?...

This article may have given you one or two ideas about financing you had not considered before, but it obviously cannot begin to give specific advice tailored to an individual business. Large corporations have always had financial experts on their staffs as a matter of course; small businessmen don't have that option. Thankfully, there are people out there who can help without bankrupting you. Here are a few suggestions.

Free advice...

The Small Business Administration runs SCORE — the Service Corps of Retired Executives. This is a group of some 6,000 retired volunteers who serve as advisors to small businessmen in all 50 states. You do not have to have an SBA loan to qualify. Contact your nearest SBA office for further information about SCORE and its actively-employed counterpart, Active Corps of Executives (ACE). In addition, SBA sponsors many workshops, courses and clinics as well as having a wealth of publications available for the asking.

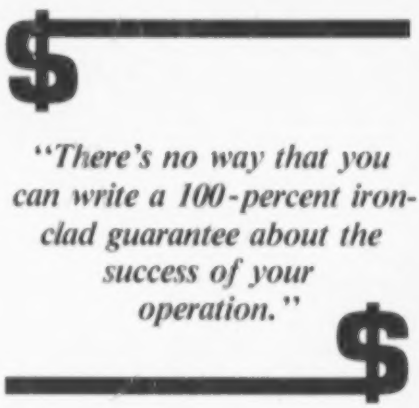
Consultants for rent...

Financial consultants who specialize in planning and obtaining financing for small businessmen are available for a retainer. A good one is invaluable; a bad one is worse than no help at all. Check with your banker and accountant for names and then, once you have found one, be sure to check out references before you hire.

A variation on the financial consultant theme are nationwide private firms that specialize in helping small businessmen obtain financing, design business plans and conduct marketing studies. One such group is Control Data Corporation's 70 business centers across the U.S. Their initial consultation is free. Call Larry Russell toll-free at (800) 638-0660 (in Maryland call (301) 332-3119) for more information and the location of the business center nearest you.

Do not forget NRA...

Finally, don't forget your trade association. NRA holds workshops on financing and a number of publications that will help. As NRA Chairman Walter Conti points out, "Eighty-two percent of the members of the National Restaurant Association are small businessmen. We are a real network of businesses — large and small — dedicated to helping each other. Active membership in NRA is probably the best vehicle a small restaurant operator has to get up-to-date information on which banks are lending, how much they are charging, and where to find the people with money to invest. All he has to do is ask."



In February *NRA News* will feature a special article by an NRA member on his efforts to get an SBA loan.

FOODSERVICE TRENDS

Eating and drinking place failures grew in 1980

The number of eating and drinking place failures increased significantly during 1980 compared to 1979, according to the most recent data available from Dun & Bradstreet.[1] Failures of eating and drinking establishments totaled 948 in 1980 — an increase of 50 percent over 1979's 633 failures.

This is the largest number of failures since 1967 when 1,217 eating and drinking places filed for bankruptcy.

An inability to cope with the recession, double-digit inflation and declining customer counts during 1980 contributed to the rapid rise in failures.

The failure rate of eating and drinking places was 26 per 10,000 in 1980 — up from 17 per 10,000 in 1979 and only 14 in 1978.

According to Dun & Bradstreet failure rate data for 1980, eating and drinking places ranked 13 among retail concern failures. For comparative purposes, the highest failure rate was 58 per 10,000 for infants and children's wear stores. The lowest rate among retail establishments was 9 per 10,000 experienced by women's accessories stores.

Liabilities incurred by eating and drinking place failures also increased significantly in 1980. Total liabilities of eating and drinking establishments rose 46 percent from $132 million in 1979 to $193 million in 1980.

According to Dun & Bradstreet, lack of managerial expertise is the underlying factor in nine out of 10 business failures during an economic expansion as well as in a recession. In 1980, there was a sharp increase in the number of retailers who reported that inadequate or slow sales was the major problem contributing to failures. This decline certainly contributed to eating place failures since in 1980 they experienced a 1.3 percent decline in real sales (adjusted for inflation). A smaller proportion of retailers reported that significantly higher operating costs — a result of double-digit inflation — was a major factor contributing to these failures in 1980. This is in sharp contrast to the year earlier when rising costs were cited as the number one problem contributing to failures.

Educational programs and information available from NRA are designed to help foodservice operators — those currently in business and those contemplating entering the business — avoid failure. Keeping up with the industry's latest management techniques, financial planning and equipment innovations is essential to successful operations.

[1]Readers should be aware that Dun & Bradstreet statistics do not represent total business discontinuances. Failures reported here include only those concerns involved in court proceedings or voluntary actions with loss to creditors.

Failures of eating and drinking places, 1977–1980

	Number of failures*			
Month	**1977**	**1978**	**1979**	**1980**
January	59	45	55	64
February	42	42	56	62
March	67	50	49	76
April	62	50	62	96
May	61	39	66	71
June	63	51	46	85
July	38	33	49	86
August	42	58	66	74
September	46	33	41	65
October	44	37	53	109
November	50	43	39	66
December	32	34	51	94
Total	**606**	**515**	**633**	**948**

**Statistics represent only failures involved in court proceedings or voluntary action with creditors.*
Source: Business Economics Division, Dun & Bradstreet

Customer traffic increased in 1981

Restaurant customer traffic increased in 1981 for the first time in two years. During the 12-month period ending Aug. 31, 1981, customer counts at the nation's restaurants rose 1.8 percent — a considerable improvement over the 3.8 percent decline in 1980. A slowdown in the rate of inflation, along with an increase in disposable personal income and stable gasoline prices, improved consumers' economic well-being in 1981 and contributed to renewed growth in the foodservice industry.

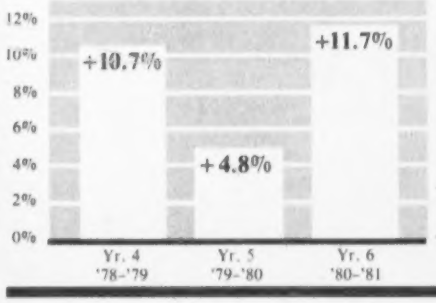
The following highlights are from the most recent CREST* year ending August 1981, with comparisons to the year ending August 1980.

- CREST sales, which represent the commercial sector of the foodservice industry, posted a gain of 11.7 percent during the 12-month period ending August 1981 — a considerable improvement over the 4.8 percent advance posted in 1980.
- Sales increased at all restaurant types in the September 1980 through August 1981 period. Family restaurants experienced the largest gain of 15.9 percent, followed by fast food restaurants at 13.8 percent.
- Customer traffic increased for the first time in two years — up 1.8 percent in the year ending August 1981. Restaurant traffic increased in each quarter with the exception of the winter (December, January and February) when customer counts fell 6.1 percent. Strong gains of 5.3 percent and 5.6 percent in the spring and summer quarters more than offset the poor performance in the winter.
- Traffic increased 6.2 percent at family restaurants and 3.3 percent at fast food restaurants.
- Customer counts fell at other restaurant types. Cafeterias experienced the largest decline of 4.8 percent, followed by coffee shops at 1.8 percent.
- The average check for a restaurant meal or snack, per person, rose 9.5 percent in the year ending August 1981. This increase is the result of changes in the number and type of menu items ordered by patrons as well as menu price increases. According to CREST information, consumers ordered more menu items as well as more expensive ones in the spring and summer quarters.
- The per person check size at fast food restaurants rose 10.2 percent, while family restaurants experienced a smaller gain of 9.1 percent.
- The increase in customer traffic in the most recent year was the result of more families eating out as those who had traded out of the market in the prior year began to return. The proportion of families eating out during an average two-week period increased from 77.86 percent for the year ending August 1980 to 78.69 percent for the year ending August 1981. There was no change, however, in the frequency of eating out. In the September 1980 through August 1981 period, CREST families ate out an average of 8.5 times in a two-week period — unchanged from a year ago.
- Traffic increased for all meal occasions with the exception of snacking in the most recent CREST year. Breakfast posted the largest advance of 5.8 percent following a strong 4.7 percent gain the previous year. Customer counts at the evening meal were up 3.1 percent in the September 1980 through August 1981 period while traffic at the noon meal rose at a slower rate of 0.3 percent.
- Restaurant operators continued to use promotions as a means of increasing customer counts. In the most recent year, 9.2 percent of the meal occasions involved a promotion compared with 8.2 percent of the occasions in the previous year.

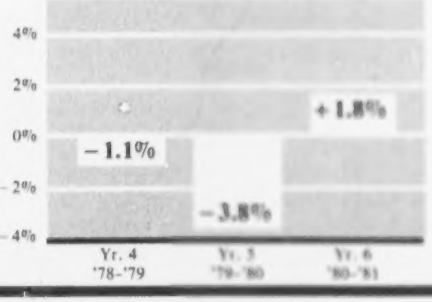
CREST (Consumer Reports on Eating Share Trends)

Summary: CREST year 6 September 1980–August 1981

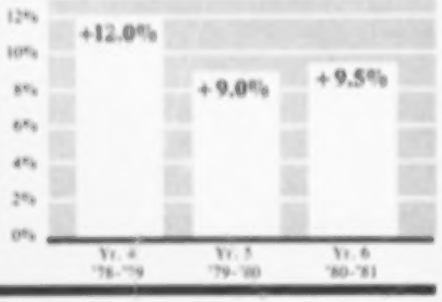
Percent change in dollar sales (Year 4–Year 6)



Percent change in customer traffic (Year 4–Year 6)



Percent change in per person check size (Year 4–Year 6)



Wholesale food prices expected to moderate in 1982

1982 commodity wholesale availability and price information may be useful to restaurateurs, particularly small operators, in planning their menu mix. By analyzing product availability and cost, operators can take advantage of lower wholesale prices as well as steer away from particular food items which are expected to increase most rapidly in 1982.

The U.S. Department of Agriculture (USDA) announced that food prices at the wholesale level will rise at a slower rate in 1982 than in 1981. A continued squeeze on consumers' budgets combined with the current recession are expected to have a moderating effect on food prices next year, according to economists at USDA's 1982 Agricultural Outlook Conference held in Washington, DC. Increased supply will restrain rises in beef and poultry prices, but a continued decline in the pork supply could mean higher prices for pork and pork products in 1982. Slightly higher prices for fresh fruit, processed vegetables and dairy products are also expected next year.

During the first 11 months of 1981, overall wholesale food costs increased at a faster pace than food costs for restaurant operators. The Bureau of Labor Statistics' All Food Producer Price Index was 3.5 percent higher during the first 11 months of 1981 while NRA's food cost index for restaurant operators gained only 3.2 percent. Lower prices for beef and veal as well as sugar and fresh fruit have helped to hold down the rise in wholesale food costs for restaurant operators this year.

Beef — increased supplies and slower increases in prices...

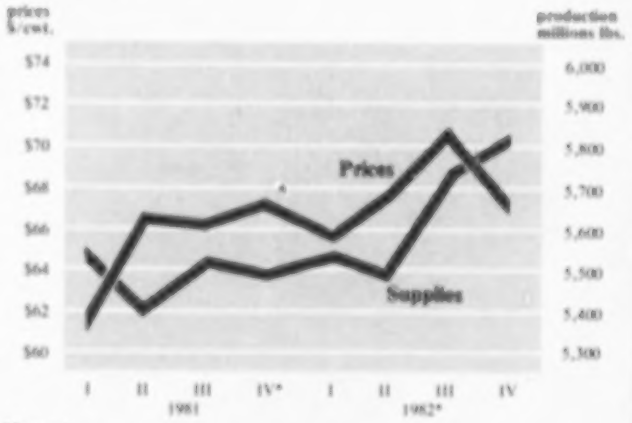
Beef production is expected to increase close to five percent in 1982, following an advance of two to three percent during 1981, according to USDA economist Ron Gustafson. Production is expected to remain at year-earlier levels through the first half of 1982 as grass fed steer and heifer slaughter falls below last spring's level. Production is projected to rise three to four percent in the third quarter and seven percent during the final three months of 1982 as grain fed cattle marketings increase.

During the first quarter of 1982, grain fed cattle and feedlot placements are expected to be well above the 1981 winter level, however, second quarter placements will increase only slightly. Lower feed costs and a stronger economy in the second half of 1982 will likely result in substantially higher grain fed cattle placements in the fall and winter quarters.

Higher beef prices were expected in 1981, however, a slowdown in the economy, the squeeze on consumer budgets and high interest rates resulted in lower prices. Slow economic growth and high interest rates in the first half of 1982 will again decrease the demand for meat, moderating price gains. USDA expects some recovery in meat prices in the last two quarters as the 10 percent tax cut, effective July 1, increases consumers' disposable income. As a result, demand may strengthen. (See *NRA News* December 1981, NRA Forecast '82, for information on the effect of tax cuts.)

Prices of choice steers at Omaha are expected to average in the mid $60s during the first half of 1982, slightly higher than the $64 level recorded in the same period last year. Prices for choice grain fed steers may average slightly higher during the summer quarter than in the same period in 1981.

Beef prices and supplies, 1981-1982*



*forecast
Source: U.S. Department of Agriculture

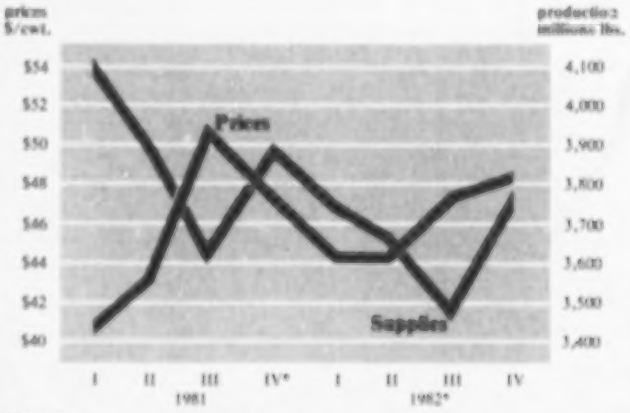
They are expected to drop back, however, into the $67 to $68 range in the fall quarter. Overall, cattle prices in 1982 are expected to average only slightly higher than the year-earlier level.

Pork — lower production and stable prices...

Although pork production declined in 1981, output was still relatively large. Production totaled 15.5 billion pounds in 1981 — a decline of six percent from 1980. This was the second largest output on record, however. USDA expects production will continue to fall in 1982. Most of this decline will occur in the first half of the year as output during the fall and winter quarters is expected to drop only slightly below 1981 levels.

Hog slaughter in the first half of 1982 is forecast to fall seven to nine percent below the 1981 level, and output during the second quarter is estimated to fall four to six percent below the April-May-June period of 1981. Producers are expected to add more than the normal number of hogs to

Pork prices and supplies, 1981-1982*



*forecast
Source: U.S. Department of Agriculture

the breeding herd rather than sending them to slaughter in early 1982 which will contribute to this decline.

USDA projects pork production during the second half of 1982 will be down about three percent from the same period in 1981.

Even with the expected decline in pork output in the first half of 1982, the supply will continue to be relatively large. Large supplies of beef and poultry and the continuing pinch on consumer income will hold hog prices down. In the first half of 1982, USDA estimates prices will average in the mid- $40s — up slightly from $42 in the same period in 1981.

The tax cut, effective July 1, 1982, may also help strengthen hog prices as consumers disposable income is expected to increase. USDA projects prices will average $48 to $49 during the second half of 1982 — approximating the 1981 level.

Chicken — increased production and higher prices...

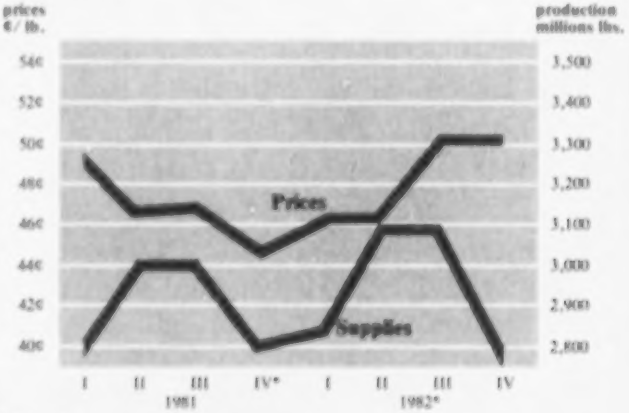
Broiler producers are expected to continue to increase output during 1982. USDA expects broiler output will increase one percent in the first half of 1982 from the same period in 1981. Production during the fall and winter quarters of 1982 is expected to equal year-earlier levels.

Broiler prices in 1982 are forecast to increase somewhat from 1981. However, USDA expects prices in the first half of the year will be lower — at 45 to 46 cents per pound, down five percent from 48 cents per pound in the same period in 1981. Higher prices are expected in the fall and winter quarters of 1982 as the economy strengthens. USDA estimates prices will range from 49 to 52 cents per pound — up 9.8 percent from 46.5 cents per pound in the 1981 July-through-December period.

Eggs — lower supplies will result in higher prices...

Egg production is expected to fall two percent in 1982, according to USDA economist Allen Baker. Higher egg prices can be expected in the first half of 1982 since production will most likely decline from the year-earlier level. Prices will average 73 to 75 cents per dozen in the January through June period — an increase of almost six percent from 70 cents per dozen in the same period in 1981. Egg prices are expected to strengthen even further in the July-through-December period of 1982 as the economy improves and the demand for high protein food increases. Prices are projected to average 76 to 78 cents per dozen in the second half of 1982 — up nearly four percent from the same period in 1981.

Broiler prices and supplies, 1981-1982*



*forecast
Source: U.S. Department of Agriculture

Dairy — production will equal 1981's level and prices may average 1.5 percent higher...

Total milk production in 1982 will most likely equal 1981's record level of 132.2 billion pounds. USDA projects output will increase in the first half of the year, offsetting the lower production expected in the second half. Dairy herd expansion will slow during 1982. Output per cow — which has been increasing — may drop in 1982 as older cows are replaced with younger, less productive heifers contributing to the decline in production.

USDA projects wholesale milk prices will remain relatively stable through the first half of 1982, but expects they will increase in the July-through-December period, due to slower production, an improving economy and increased demand.

Retail milk prices in 1981 averaged 7.5 percent above 1980. Retail prices are expected to continue to increase in 1982, but large supplies will hold price gains in the three-to-

five percent range. The ultimate rise in prices is dependent on action taken by Congress on the dairy price support program.

Fruit and vegetables — tight supply...

Smaller supplies of both fresh and processed vegetables this fall will result in higher prices through the first half of 1982. In addition, higher processing and marketing costs will put upward pressure on prices. Total supplies of canned and frozen vegetables during the 1981-82 marketing season are expected to be seven percent lower than in the previous year, since less acreage was contracted for production.

Because most vegetables are interchangeable with one another at both the production and consumption ends of the marketing spectrum, forecasting supplies and prices for individual items is difficult. Smaller supplies of processed vegetables combined with higher processing and marketing costs will most likely result in higher prices for both canned and frozen vegetables during the first half of 1982. Because of these higher prices, USDA expects larger plantings and increased supplies of many vegetables during the spring and summer of 1982, allowing for some price relief late in the year.

Adverse weather last winter and spring will reverse the recent increases in supplies of fruit during the past several years. Supplies of both citrus and non-citrus fruit in 1982 will fall considerably below the 1981 level. Output of apples, grapes and oranges will decrease considerably, resulting in higher prices in 1982, according to USDA projections. In addition, rising marketing costs will exert upward pressure on retail fruit prices.

The first forecast of the 1981-82 citrus crop indicates output of 14.4 million tons — a five percent decline from 1980-81. The largest decrease is expected in the 1982 orange crop — down 9.2 percent from a year ago. California accounts for most of this decline as their orange crop is expected to fall 29 percent below last year's record crop. This large drop in output is not the result of the infestation of crops by the Mediterranean fruit fly. USDA economists attribute it to reduced sets (fewer blossoms) since many small oranges were not harvested last season. The sharply decreased orange crop is expected to keep prices of fresh oranges high. In addition, smaller crops of non-citrus fruits will also exert upward pressure on orange prices.

Output of non-citrus fruit fell 15 percent in 1981 with smaller production recorded for all crops except nectarines. The apple crop fell 10 percent below the 1980 level, while grape production was 24 percent smaller than the record 1980 crop. Lower supplies of these fruits along with smaller citrus output will cause higher prices.

Commodity price index percent change

Commodity	1979-1980	Nov. '80-Nov. '81	11 mos. '80-11 mos. '81	one month Oct. '81-Nov. '81
Bakery products	**11.7%**	**7.2%**	**8.5%**	**0.2%**
Flour & cereal	**12.3**	**0.7**	**-7.3**	**0.6**
Beef & veal	**3.2**	**-8.4**	**-4.8**	**-4.0**
Other meats	**-2.7**	**-3.8**	**9.0**	**-3.4**
Pork	-4.0	-0.7	12.9	-4.2
Poultry & eggs	**1.0**	**-9.5**	**4.2**	**1.6**
Poultry	2.5	-16.2	1.8	-1.4
Eggs	-2.8	8.1	11.4	8.2
Fish & shellfish	**-3.2**	**6.0**	**1.3**	**1.3**
Sugar & sweets	**35.4**	**-22.2**	**-1.7**	**-0.2**
Sugar	49.6	-38.3	-12.5	-0.4
Vegetables	**7.5**	**2.4**	**23.6**	**nc**
Fresh vegetables	8.6	-5.8	28.7	-0.6
Fruits & juices	**4.2**	**7.6**	**3.1**	**1.0**
Fresh fruit	4.1	1.8	-7.3	5.4
Beverages	**0.8**	**1.3**	**-2.7**	**0.9**
Dairy products	**12.1**	**2.6**	**6.9**	**-0.2**
Fats & oils	**6.4**	**0.1**	**5.4**	**-0.1**
NRA Food Cost Index	**5.0%**	**-1.8%**	**3.2%**	**-1.0%**
All Food, Producer Price Index[1]	**8.0%**	**-4.4%**	**3.5%**	**-0.6%**

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

Sources: Producer Price Index, *Bureau of Labor Statistics; NRA*

Per capita food consumption expected to increase in 1982

Per capita food consumption in 1982 is expected to increase following a two-year decline, according to the U.S. Department of Agriculture (USDA) projections. Consumption of all food is forecast to rise one percent with fresh vegetables experiencing the largest gain — five percent. USDA forecasts that production of cereals, beef, dairy products and fresh vegetables will increase in 1982. (See Foodservice Trends article on 1982 wholesale prices.) As a result, food prices are expected to moderate, contributing significantly to the predicted rise in food consumption.

Beef and veal consumption to rise...

Per capita consumption of beef and veal is expected to increase 2.5 percent in 1982, following the slight 0.4 percent advance in 1981. Large supplies of beef and poultry will hold down beef price increases in 1982. Slower price gains coupled with a stronger economy in the second half of 1982 and an increase in consumers' disposable personal income resulting from the tax cut effective July 1, are expected to increase demand for beef and will contribute to the rise in per capita consumption.

Pork consumption to decline...

USDA projects per capita consumption of pork will decline six percent in 1982. Pork consumption fell seven percent in 1981 as prices increased due to lower production. Pork supplies are expected to continue to decrease in 1982, and, therefore, prices will continue to rise. As a result, consumers will most likely switch to less expensive sources of protein, contributing to the long-term decline in pork consumption.

Per capita consumption of poultry increased two percent in 1982. USDA expects consumption will remain unchanged in 1982 due to the continuing squeeze on consumer budgets and large supplies of beef.

Consumers' egg consumption down...

USDA projects per capita consumption of eggs will fall two percent in 1982, marking the third consecutive year of decline. Egg prices are expected to increase in 1982 and this, along with adequate supplies of beef and poultry, will contribute to the drop in consumption.

One percent rise forecast for dairy products...

Per capita consumption of dairy products is forecast to rise one percent in 1982 following a two-year decline. USDA expects favorable retail prices through the first half of 1982. In addition, the improving economy in the second half of the year will contribute to an increase in consumption.

Fresh fruit and vegetable consumption on the rise...

Per capita consumption of fresh fruit is expected to increase one percent in 1982 following a three percent decline during 1981. Prices for fresh fruit are expected to rise this year as production of oranges, apples and grapes fell considerably below the year-earlier level. This price rise will be the primary factor contributing to the modest advance in fruit consumption.

Percent change in per capita consumption, 1980–1982

	1980	1981*	1982*
All food	−0.9%	−1.4%	1.0%
Beef and veal	−2.3	0.4	2.5
Pork	7.1	−7.0	−6.0
Poultry	0.2	2.0	—
Eggs	−2.0	−3.4	−2.0
Dairy products	−3.0	nc	1.0
Fresh fruits	4.0	−3.0	1.0
Fresh vegetables	0.9	−3.0	5.0
Processed fruits and vegetables	−2.8	1.5	−5.0

Note: 1981 figures are preliminary; 1982 figures are projected.
Source: U.S. Department of Agriculture

USDA projects per capita consumption of fresh vegetables will advance five percent in 1982. Consumption fell three percent in 1981 as the January freeze in Florida caused sharply higher prices. Retail prices are expected to moderate somewhat in 1982 contributing to the rise in consumption.

Per capita consumption of processed fruits and vegetables is expected to fall five percent in 1982, according to USDA estimates. Tighter supplies and higher marketing costs will keep prices above year-earlier levels and most likely accounts for the decline in consumption.

Dinner house clientele prove more affluent than average restaurant customers

Dinner house clientele tend to be more affluent than the average restaurant customer, according to analysis of recent CREST data. Dinner houses are generally characterized by above-average check size and alcoholic beverage service; they also take credit cards and usually accept reservations.

Over half of dinner house sales are derived from families with incomes in excess of $30,000, according to CREST information. In addition, families with white collar occupations account for a disproportionate 68 percent share of total dollars spent at these restaurants.

Dinner houses, with their high check average, are a distinctive sector of the foodservice industry. Their customers differ from the average restaurant patron not only in terms of demographics, such as income and occupation, but also in terms of menu preferences.

Operated primarily by independents rather than large chains, checks averaged $18.30, including tip, during the most recent CREST year. On a per person basis, the average check excluding tip was $7.90 at dinner houses. This compares to a substantially lower figure of $2.66 for all restaurants.

Dinner houses are often thought of as places to go on special occasions. Not surprisingly, only 18 percent of families patronized a dinner house during an average two-week period in the year ending August 1981. In comparison, 49 percent of the families patronized fast food places during the same period. The frequency of visits by families who ate at dinner houses was also low — averaging less than once a week. Families, however, visited fast food restaurants almost five times in an average two-week period.

Three or four member families and those with an employed housewife account for large proportion of sales...

While the upscale income and occupational characteristics of dinner house patrons are most notable other demographic characteristics also differentiate those who patronize dinner houses from the average restaurant customer.

Patrons from families with three or four members accounted for a disproportionately large share of sales at dinner houses while those with five or more accounted for a relatively small proportion. Families where the housewife is employed either full-time or part-time are more likely to visit dinner houses. These two-income families account for 52.9 percent of expenditures at dinner house restaurants versus 49.9 percent at all restaurants. Families with combined incomes tend to be more affluent which contributes to their ability to eat at higher-priced dinner house restaurants.

Dinner house patrons over 17...

Dinner house patrons tend to be adults. (See accompanying chart.) While consumers who are 35 to 49 accounted for just 23 percent of sales at all restaurants in the CREST year ending August 1981, they were responsible for a 30 percent share at dinner houses. On the other hand, children under 17 were responsible for an eight percent share of expenditures at dinner houses versus double that proportion — 16 percent — at all restaurants.

Dinner house patrons order expensive items...

Dinner house patrons tend to order more menu items as well as a more expensive selection of items than patrons at other restaurants. In the most recent CREST year, the average number of menu items per customer was 3.7 at dinner house restaurants compared to 2.5 at all restaurants. Visits to dinner houses tend to be more formal or special social occasions than visits to other restaurants. This contributes to the larger number of menu items ordered as well as the above average check size.

Higher-priced menu items such as steak and seafood were ordered on a disproportionately large number of occasions at dinner house restaurants. Steak was eaten on 10.6 percent of the occasions while seafood was eaten on almost 25 percent of the occasions. This compares with 2.7 percent and 6.4 percent, of the occasions respectively at all restaurants.

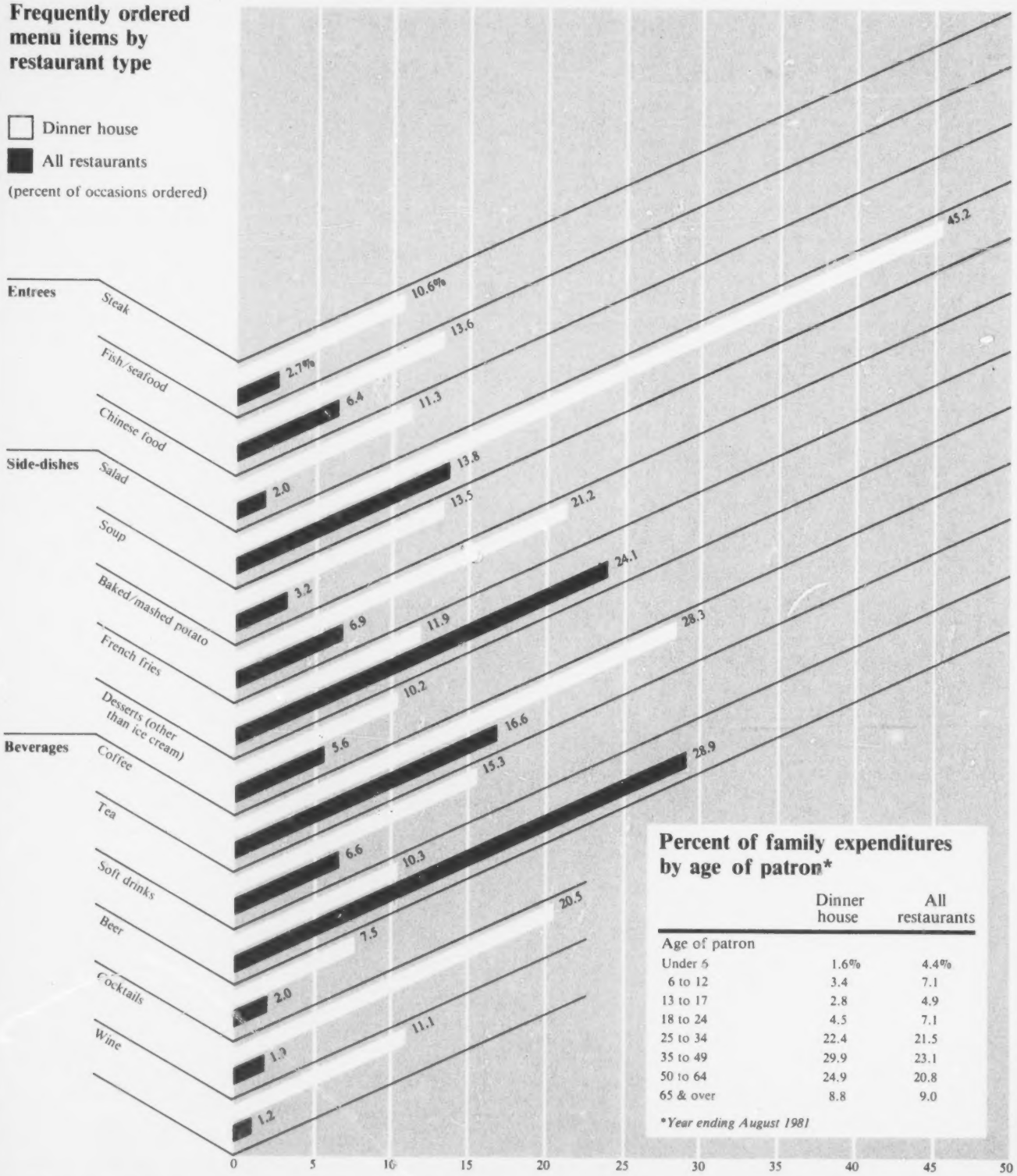
Chinese food popular at dinner houses...

Chinese food was also ordered more frequently at dinner houses, with patrons selecting these items on 11.3 percent of the occasions. In comparison, patrons at all restaurants selected Chinese food on only 2.0 percent of the occasions.

As shown in the accompanying chart, side dishes such as soup, salad and desserts were also ordered more frequently at dinner houses than at family restaurants. Salads were ordered on 45.2 percent of the occasions at dinner houses in comparison to a considerably smaller proportion of occasions at all restaurants. French fries were eaten more often at all restaurants than at dinner houses.

Since visits to dinner house restaurants tend to be social occasions it is not surprising that alcoholic beverages were ordered more often than at other restaurant types. Cocktails were the most frequently ordered alcoholic beverage on 21 percent of dinner house occasions. Wine was ordered on 11.1 percent of the occasions and beer on 7.5 percent. In comparison, cocktails were ordered on only 1.9 percent of occasions at all restaurants.

Frequently ordered menu items by restaurant type



Percent of family expenditures by age of patron*

	Dinner house	All restaurants
Age of patron		
Under 6	1.6%	4.4%
6 to 12	3.4	7.1
13 to 17	2.8	4.9
18 to 24	4.5	7.1
25 to 34	22.4	21.5
35 to 49	29.9	23.1
50 to 64	24.9	20.8
65 & over	8.8	9.0

Year ending August 1981

Note: Percent represents percentage of occasions on which menu item was ordered; year ending August 1981.

Source: CREST, NPD Research, Inc.

Industry index

Sales at eating and drinking places increased by a modest 7.7 percent in October 1981 from the same month in 1980. In the first 10 months of 1981, eating and drinking place sales were up 10.2 percent from the same period in 1980.

Eating place sales increased 9.7 percent in September from the same period in 1980 with real growth (adjusted for inflation) of 1.1 percent. In the first nine months of 1981, real sales growth for eating places was also 1.1 percent. The *NRA 1981 Forecast* predicts eating places will experience real growth of 1.0 percent in 1981, which will be the first increase in two years.

Menu prices (Consumer Price Index for food away from home) moderated somewhat in October, increasing 8.4 percent from the same month a year ago. In the first 10 months food away from home rose 9.3 percent from the same period in 1980.

Food at home has been rising at a slower rate than food away from home, according to the Bureau of Labor Statistics' Consumer Price Index. Food at home rose only 4.6 percent in October from the same month in 1980 — well below the 10 month average increase of 8.2 percent.

Retail sales (000,000)

	Oct. 1981	Percent increase vs. year ago	Year to date sales 1981	Percent increase vs. year ago
All retailers	$89,963	7.1%	$851,442	10.3%
Eating & drinking places	8,095	7.7	79,314	10.2
Food stores	20,904	10.9	196,890	10.1

Source: Bureau of Census, unadjusted data; subject to revision.

Consumer prices

	Percent increase vs. year ago	Percent increase 1981 to date vs. year ago	
Food at home	4.6%	8.2%	
Food away from home	8.4	9.3	
All items less food	11.2	11.0	

Source: Bureau of Labor Statistics

Eating place indicators (000,000)

	Sept. 1981	Percent increase vs. year ago	Year to date sales	Percent increase vs. year ago
Eating place sales	$7,071	9.7%	$62,845	10.5%

	Percent increase vs. year ago	Percent increase year to date vs. year ago	
Real eating place sales (Sept.)	1.1%	1.1%	

Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations; subject to revision.

Employment and earnings

	Sept. 1981	Percent increase vs. year ago
Total employment	4,974,900 employees	2.6%
Non-supervisory employment	4,585,200 employees	2.8
Non-supervisory average hourly earnings	$3.98	7.0
Average weekly hours	26.1 hours	nc

Source: Bureau of Labor Statistics

1981 index to Foodservice Trends articles

Consumer behavior...
- Spending on food away from home by the rich and the poor revealed in new study (February)
- CREST reported on consumer behavior in a weak economy (July)
- Study reveals college students eat out frequently (August)
- Consumer awareness of diet and health important to restaurateurs (October)
- August travelers spent $7.9 billion in U.S. restaurants (November)
- Consumers' appetite for restaurant meals far from satisfied (December). *Also see CREST.*

Consumption patterns...
- New NRA study provides information on meals prepared away from home vs. at home (July)
- Meal skipping behavior revealed in NRA study (July)
- Demographics affect item selection, reveals NRA/CREST study (October)
- Americans increase their taste for wine (November).

CREST...
- CREST study shows that singles' restaurant visit behavior changed (February)
- Customer traffic increases 1.4 percent in fall quarter (February)
- Customer traffic declines 6.1 percent in winter quarter (May)
- CREST reports on consumer behavior in a weak economy (July)
- Customer traffic posts best performance since 1978 (August)
- Demographics affect item selection, reveals NRA/CREST study (October)
- Pattern in repeat restaurant visits revealed in latest NRA/CREST study (November)
- Customer traffic increased for second consecutive quarter (November).

Demographics...
- CREST study shows that singles' restaurant visit behavior changed (February)
- Increase in number of working women has been beneficial to restaurant industry (May)
- Teen market important to restaurant industry (August)
- Study reveals college students eat out frequently (August)
- Demographics affect item selection revealed NRA/CREST study (October)
- NRA survey reveals profile of dining club member (October).

Eating places...
- The foodservice industry: 1979 (July)
- Independent predominate in foodservice industry (July)
- Franchisors report slower sales growth for ice cream stores and donut shops in 1979 (August)
- Foodservice industry sales: $136.7 billion in 1982 (December)
- State-by-state eating place sales forecast for 1982 (December)
- Industry sales reached $124.7 billion in 1981 (December).

Economy...
- Regional economic outlook for the 1980s (Supplement, June 12, 1981)
- CREST reports on consumer behavior in a weak economy (July)
- Foodservice industry sales: $136.7 billion in 1982 (December).

Employment...
- Foodservice employment to increase in the 80s (November).

Fast food...
- Franchise restaurant sales total $25 billion in 1979 (Supplement, March 13, 1981)
- The foodservice industry: 1979 (April)
- Foodservice industry sales: $136.7 billion in 1982 (December)
- Industry sales reached $124.7 billion in 1981 (December)

Food cost index...
- *See wholesale food prices and supplies.*

Foodservice industry...
- The foodservice industry: 1979 (April)
- NRA reported 1981 industry sales to reach $125.6 billion (July)
- Foodservice employment to increase in the 80s (November)
- Foodservice industry sales: $136.7 billion in 1982 (December)
- State-by-state eating place sales forecast for 1982 (December)
- Industry sales to reach $124.7 billion in 1981 (December).

Menu prices...
- The foodservice industry: 1979 (April)
- Foodservice industry sales: $136.7 billion in 1982 (December)
- Industry sales reach $124.7 billion in 1981 (December).

Multi-unit operations...
- Independents predominate in foodservice (July).

New publications...
- NRA published new *Foodservice Sales Panorama* (April)
- NRA published *Market Research for the Restaurateur* (May)
- NRA offered new *Meal Consumption Behavior Study* (July)
- NRA publishes new operating ratio report (August)
- New NRA publication reported on travelers' eating habits (November).

Nutrition...
- Consumer awareness of diet and health important to restaurateurs (October).

Operator panel...
- Operator panel compared financial, operations data (October).

Projections...
- Regional economic outlook for the 1980s (Supplement, June 12, 1981)
- Foodservice industry sales: $136.7 billion in 1982 (December)
- State-by-state eating place sales forecast for 1982 (December).

Promotions...
- Interest in promotions increasing according to new NRA study (October).

Regions...
- Regional economic outlook for the 1980s (Supplement, June 12, 1981)
- State-by-state eating place sales forecast for 1982 (December).

Retail census...
- New data released on average meal costs by Census Bureau (February).

Spending patterns...
- Spending on food away from home by the rich and the poor revealed in new study (February)
- August travelers spent $7.9 billion in U.S. restaurants (November).

Wholesale food prices and supplies...
- Wholesale food prices faster in 1981 than in 1980 (Supplement, January 5, 1981)
- Wholesale food prices rising (May)
- Wholesale food prices decline slightly in May (July)
- Wholesale fruit and vegetable prices not affected by fruit fly infestation (August)
- Wholesale food costs increase in July (September)
- Commodity spotlight: price and availability forecast (October and November).

Wine...
- Americans increase their taste for wine (November).

AT YOUR SERVICE

NRA's information service and library assists both large & small operators

Foodservice operators who are faced with daily problems without the time and/or research materials to solve them, are urged to contact NRA's information service and library for assistance.

The library's professionally-trained staff responds to over 6,000 requests each year. Questions cover such diverse areas as advertising, restaurant equipment, industry statistics, research studies, marketing, menu expansion and planning, recipes and training.

The information staff researches each request by consulting the library's extensive collection and conferring with NRA staff specialists. If an answer cannot be found within NRA, other trade associations, equipment companies or reference sources are consulted.

NRA member requests are always give top priority, making the information service an important benefit which can save the small operator time and effort.

This is just a small sample of the questions received from members.

Q: Is there a comprehensive directory of foodservice equipment companies?

A: NRA has two directories available — an allied membership buyers guide and an NRA convention exhibitors guide. Both directories are updated annually.

Q: Is there a book which will give market research guidelines and techniques?

A: NRA's *Market Research for the Restaurateur* is a practical handbook that shows the non-professional how to do enough market research to assist in making operational and promotional decisions and to do it in a professional and unbiased manner. This publication is available from NRA's educational materials department. The cost of the book is $17.50 for members and $35 for non-members.

Q: We want to expand our menus. What approach should we take?

A: You should ask

- What are the potential markets you wish to attract with this additional item?
- Will this item affect your present clientele and if so, in what ways?
- Does this new item match your present theme and decor?
- What new purchases would be necessary for the production of this item?
- Would the intended menu price fall in the same range as your current prices?
- How will this item correlate with your current food and labor costs?

Q: My restaurant will be sponsoring a "fight inflation" promotion featuring menu prices from the 60s. Please provide me with prices from that decade for steak, lobster and prime rib.

A: Menus submitted for our Great Menu Award Contest in 1962 listed these price ranges

Steak $3.95 to $6.75,
Lobster $3.75 to $6.95,
Prime Rib $3.85 to $5.95.

Q: What sources do restaurants use when selecting employees?

A: Attendees at an NRA seminar on "Employee Selection" have compiled a listing of 50 proven recruitment sources which is available from the information service and library.

For a brochure further outlining our information service, contact the information service at the NRA offices in Washington, DC.

NRA Information Service and Library Manager Joan Campbell uses the extensive industry resources available in the library to answer members' inquiries.

Increase sales through promotions

Promotions pay off...

For the independent operator, they can be particularly attractive. Promotions can draw attention to a restaurant, enhance its reputation and help develop an image. They can increase sales on a specific day or during a designated time period, sell a specialty item and generate positive word-of-mouth advertising.

Through successful campaigns, you will also see an increase in customer satisfaction and employee morale. Involvement is encouraged. Everyone has fun.

"You must have new things happening in a restaurant to make it come alive," said NRA Director Michael Hurst of the 15th Street Fisheries in Fort Lauderdale, FL. "That's what a place of hospitality is all about. We want to give away fun and excitement and sell a lot of food along the way."

According to Hurst, promotions can give your products meaning and value. "All of a sudden, you've given people a reason to talk. You've gone beyond their expectations. Your customers become salespeople.

"Word-of-mouth is responsible for up to 85 percent of first-time purchases," he added. "A good promotion can fill every chair in the house. It can generate so much traffic that you wear the carpet out."

How can you bring in guests?...

Product and price promotions can both be valuable tools, said Hurst. "Operators should always be working on creating a distinctive, unusual and exciting product. They should experiment and continually introduce new items."

A good value will also draw a crowd. "The promotion that draws the most every time is nickel beer. People come

out of the woodwork," Hurst claimed. "Although it does cost you, it's often no more than the price of a single newspaper ad."

Yet overall, promotions do not have to be expensive. Signs can be hand-drawn, flyers can be reproduced at a local quick-copy shop, and staff can be trained to make "sales calls" to nearby businesses.

"The most important thing is to talk to your customers," Hurst explained. "Get them excited about future promotions. Consciously make word-of-mouth advertising happen."

According to Ron Plummer, a senior vice president of the New York-based Mandabach and Simms, today's restaurateurs must promote. "It is as important as ordering meat on Monday morning," he said.

"If I had my way, I would feature an in-house promotion every day of the week. Each time operators plan an activity they are giving people an extra reason to walk in the door. And once they are inside they usually buy more than they came in for," Plummer explained.

Consider a week-long promotion featuring baskets of french-fried zucchini for 10 cents. This simple attraction will introduce guests to your product, bring in happy-hour business and increase liquor sales. You may even find that some of your cocktail crowd is sticking around for dinner.

"Promotions based on a specific food item complement a restaurant," Plummer said. "Americans are interested in eating, and they like to try new things. By promoting your food, you make the dining experience special."

In his NRA seminar, Creative Merchandising Techniques, Plummer encourages participants to experiment. Promotions featuring ethnic foods are increasingly popular: Mexican buffets, pasta festivals, "Quiche Me" nights and chili bars. He has also found that holidays work well, especially when done with a twist.

"Be a little different from everyone else," Plummer suggested. "Since everyone does a one-day St. Patrick's Day promo, I plan a pre and post-holiday party. Or instead of a single Mother's Day celebration, why not an entire week devoted to Mom?"

There are also a number of new, potentially profitable holidays, including Grandparent's Day, Secretary's Week, Boss' Day, Mother's-in-Law Day and Sweetest Day. Res-

You may want to come up with a promotion idea and make some fun of it. Here is a suggestion. (The artwork comes from one of Dover Publications' camera-ready art books. See Hot off the Press this month for additional ideas.)

Brooke Shields' look-alike contest
This young lady won the Brooke Shields' look-alike contest in 1892, but it could be you in 1982. Join us March 14, (name of restaurant).

taurateurs can make these days special and build up business by offering specially priced meals, holiday menus, complimentary flowers, festive drinks, family-style dining, dinners-for-two or customer contests.

Small operators have promotional advantages...

According to Plummer, small operators have many advantages in the promotion area. Decisions can be made quickly, and activities can easily be localized. "Some of the best promoters tailor their ideas to the community. Street fairs, tie-ins with local sports teams and neighborhood service projects will attract local customers and generate a lot of goodwill."

Independents also have a freedom that chain restaurants do not, Plummer added. "Say, for instance, that the hometown football team loses its game. Within 10 minutes, a single-unit operator can offer 25 cent 'We-still-love-you' beers."

Another type of promotion activity zeros in on a target group or a specific problem. Campaigns can be launched to draw female executives, singles, families or seniors. Other promotions can be designed to build late-night or afternoon business, reduce labor costs or utilize leftovers.

Entertainment becomes more popular...

Restaurateurs can also entertain guests. Music, dancing, video games, wide-screen televisions, fashion shows, games, contests and premiums are just some of the many possibilities. Depending on your clientele — both current and desired — you may want to consider 50s nights, pinball championships, all-you-can-eat competitions, cooking demonstrations, dinner/theatre packages and cooperative efforts with local businesses.

In coming up with suitable ideas, Plummer finds that staff members have a good handle on what will appeal to customers. "Take advantage of your employees' creativity. Give them the opportunity to get involved.

"You will find that most promotions will run smoother and more successfully if everyone in your unit is enthusiastic and cooperative," Plummer explained. "And anytime you do something exciting and unusual, you are giving your waiters and waitresses a tool for communicating with guests. In most cases, you will see that promotions do as much for your employees as they do for increasing your business."

More experienced promoters are always looking for reasons — or excuses — to promote. They find out who is new in town and invite them in for a "get acquainted" cocktail. For National Kraut and Frankfurter Week (Feb. 12-21), they will offer quarter hot dogs during happy-hour, and for Bachelor's Day (Feb. 28) they will throw a swinging singles' party. Even more serious days get attention. American Heart Month (February), for example, is an ideal time to introduce menu items that are low in fat, sodium and cholesterol.

On birthdays and anniversaries, the celebrating continues. It may be candles and cakes for customers and staff or a special bash for your local mayor. You can also go Hollywood: try a Brooke Shields look-alike contest, a J.R. Ewing western night or even a post-wedding party for General Hospital's Luke and Laura.

Once you decide on a promotion idea the next step is to spread the word. Although small businesses tend to have a limited budget, there are a number of cost-effective ways to advertise. Monthly calendars listing special days and events are inexpensive to print and can be distributed in the restaurant. Flyers, table tents, menu clip-ons, posters and badges can also be used to alert guests to your activities. (See Hot off the Press this month for some camera-ready art ideas.)

Direct mail is more costly, yet can be extremely effective. First, put together a good mailing list, using business cards of current customers, neighborhood telephone directories, list of local businesses and information from your chamber of commerce. Be sure to mail three to four weeks in advance and consider including a coupon so you can easily measure response. (See November's *NRA News*, Foodservice Trends article on promotion response in different segments of the industry.)

Media coverage will also help your effort. Those who cannot afford outside public relations services can easily learn to do their own. There are a few basic rules to follow:

- Know who your market is and what papers they read.
- Make sure news releases look and sound professional. Type double-space on plain paper, and check carefully for errors. Include a contact person, address, telephone number and dateline. Put important information in the first paragraph. Accuracy is essential. (For a sample release, contact the NRA communications department.)
- Be sure envelopes are neatly and correctly addressed. Keep your media list as up-to-date as possible.
- Follow through with a phone call a few days after the release should have been received. Keep calls short, polite and to-the-point.

Create your news...

What will interest the media? Think about who reads each publication to get a general idea. Write about new menus, planned promotions, exceptional values and community service activities. Use your in-house experts: chefs on cooking techniques, banquet managers on party planning and purchasers on cutting food costs. You may also want to volunteer to write a monthly column in your local newspaper or provide recipes from your menu. And do not overlook opportunities to "create" news by telling the public how to dine out on a budget, stay on a diet or painlessly eat out with small children.

All types of restaurants can profit from special promotions. There are ideas for every budget, menu type and market. Restaurateurs will find a wide assortment of business-building suggestions in each edition of *Pro-Motion*, NRA's bimonthly promotion newsletter. Subscriptions are $12 per year for NRA members, $60 for nonmembers. For information, contact Elyse Cuttler at the NRA in Washington, DC, (800) 424-5156.

Why will you want to subscribe? According to Plummer, every so often he will hear a small operator say he cannot afford to do promotions. "I say, in today's market place, he can't afford not to."

The NRA National Conference on Promotion is scheduled for September 1982.

HOT OFF THE PRESS

Jazz it up! Redo your menu for little more than the price of printing

You want to change your menu's appearance — jazz it up a bit — but cannot afford to spend $100 to $500 for simple illustrations?

With a little imagination, a few extra minutes and one or two of Dover Publications' camera-ready art books, you can come up with a menu you will want to brag about — and maybe even enter in NRA's Great Menu Awards contest.

Dover Publications' camera-ready art books provide hundreds of copyright-free illustrations for about two to five cents a piece. Their selection of over 300 books, priced $4 to $5, include everything from old woodcuttings and engravings — great for place mats — to stylized hamburger and french fry drawings. Three of the publications are particularly useful to foodservice operators: *Wine and the Artist, Food and Drink* (from 19th-century sources) and a new title due out late this month, *Ready to Use Food and Drink Spot Illustrations*.

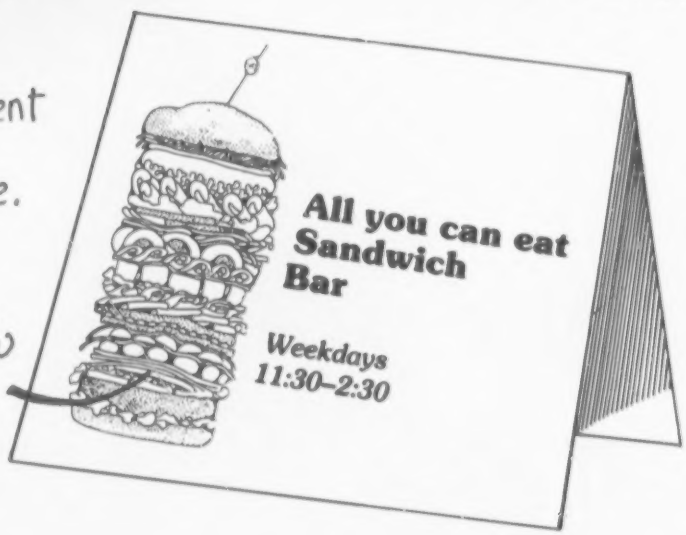
Some of their other books offer headlines, borders and banners as well as fancy alphabets and calligraphy designs.

A few members of the NRA staff put together samples of what can be done with the camera-ready illustrations.

Table tents are an excellent way to introduce your clientele to special events or promotions!

We reduced the camera-ready art and dropped in the announcement for Sunday Brunch. You can print the menu inside.

You may want to announce a children's evening menu on the other side of this tent – like above.



The artwork is from Dover Publications' new camera-ready art book. We reduced it a little.

You may want to use the logo for your restaurant here.

We've used a 10% black screen to create the grey paper color. You may want to use a colored paper.

We used blue so that these heads stand out. It is easier for customers to find the sections they are looking for.

Artwork is printed in the second color. (Blue)

This camera-ready art was clipped out of the publication and reduced in size. It also sets a fun, festive mood for the restaurant.

We also printed this in blue so it doesn't get lost.

We chose an Italian theme for this menu, but the variations are almost limitless. Here are some tips on getting your menu printed.

- With the money you save using camera-ready artwork, add another color to highlight certain areas of your menu. In this case, we have chosen blue and used a variety of blue screens.
- Do not simply tell a printer you want to use blue as a second color. Ask him for his color guide book and pick out the exact color you feel fits the atmosphere of your restaurant.
- Before you begin designing a new menu, ask your printer what the most economical size would be. If you design the size of your menu so that the printer will have the least amount of waste, your costs will be lower.
- Most important, go out and ask for bids from a few different printers, costs can and do vary tremendously.
- Ask the printer if he has an over-supply of any paper that he can give you a good price on. If one of his normal clients has gone to another printer, he may be stuck with a lot of high quality paper that he would like to get off his hands and, therefore, will give you a good price.

For a catalog of camera-ready art available from Dover Publications write, Dover Publications, Inc., 180 Varick St., NY, NY 10014.

PUBLIC HEALTH & SAFETY

Water and heating systems eat up profits

A restaurant's water supply system offers the unique opportunity to reduce two costs at once — water and energy.

Savings will result when

- consumption is reduced
- water temperatures are set at the minimum requirements and
- heaters and distribution systems are properly maintained.

Stopping the drip...

A running or dripping faucet is a common sight. To prevent faucets from being left running, consider installing spring operated faucets, particularly in out-of-the-way locations, such as lavatories. Remember, however, that the FDA Model Foodservice Ordinance states, "Any self-closing, slow-closing or metering faucet used shall be designed to provide a flow of water for at least 15 seconds, without the need to reactivate the faucet."

The unnecessary water costs from the dripping faucet can be dramatically illustrated by using the "Friendly Drip Stick." Developed by NRA member Friendly Ice Cream Corporation, an eight or 10-ounce glass water tumbler is placed under a dripping faucet for 30 seconds. The stick is then set upright in the glass. By reading either the hot water or cold water scale, the weekly cost of wasted water can be calculated.

The drip stick is reproduced in its actual dimension on the next page. Use an ice cream bar stick to make up your own gauge. The costs shown are based on $1 per thousand gallons of water and five cents per KWH. Make the necessary adjustments for your utility rates.

Water temperatures should be set to minimum...

Hot water for hand washing need be no higher than 100 degrees Fahrenheit. Yet many restaurants heat water to 140 degrees Fahrenheit and then depend upon customers and employees to mix in cold water in order to reduce the temperature.

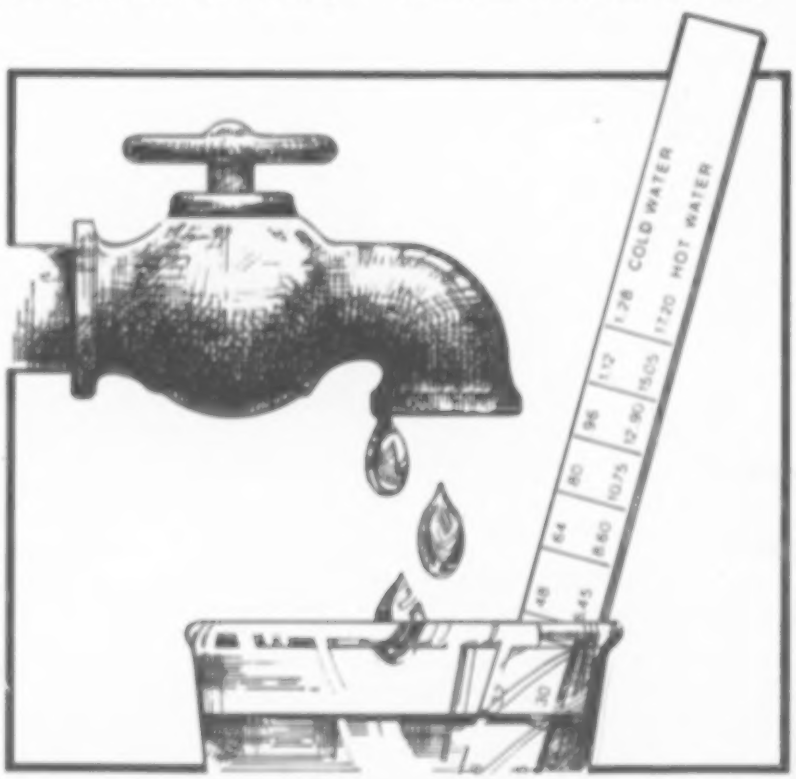
Have your system examined for the possibility of lowering the temperature of general-use water. Booster heaters can then be installed where extremely hot water is necessary, such as at dishwashers and scullery sinks.

Reducing the water temperature will substantially reduce the potential heat loss in the pipe. If the room through which the pipe travels is maintained at 70 degrees Fahrenheit, a reduction in the water temperature from 140 degrees Fahrenheit to 100 degrees Fahrenheit reduces the potential heat loss by over 50 percent.

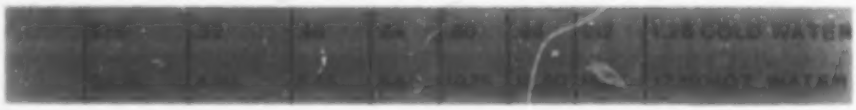
140°F – 70°F = 70°F potential heat loss
100°F – 70°F = 30°F potential heat loss

Check the temperatures of water being furnished to dishwashing machines regularly and make certain they are not reduced below public health requirements.

Sediment and minerals accumulate in hot water heaters. This buildup inhibits the transfer of heat to water. Several times a year, the drain valve should be opened. Empty two or three pails of water until water flows out clean.



Friendly. DRIP STICK



Check your hot water heater for signs of corrosion, leakage or hot spots. Hot spots indicate that the insulation may not be distributed evenly.

Additional insulation can be used to cover the exterior of water heaters. Check with your local utility or plumbing distributor for recommendations before investing in additional insulation blankets. The type and material of this insulation is important.

A smokey or hot stack coming out of a gas water heater suggests a problem. Have the burner and other controls inspected. Do not attempt the repair yourself. Call your utility or service company.

If the opportunity arises for relocating a heater or installing a new one, place it as close as possible to the major point of use of hot water such as a dishwasher. Reducing the pipe length reduces heat loss.

Inspect insulation on storage tanks and the distribution system. Pipe insulation is readily available from building supply stores and is easily installed.

What to expect from state and local budget cuts

Reductions in federal grants and ceilings on local property taxes will affect the budgets of state and local public health agencies regulating the foodservice industry. In adjusting for a more austere budget, these regulatory bodies will either maintain only priority programs deemed essential or reduce activities across the board.

If activities are categorized by priority, funding will be maintained for such programs as drug abuse assistance, aid to the elderly and alcoholism treatment, but funds will likely be reduced for many programs including the foodservice industry.

A reduction of funding for all Public Health activities will also mean fewer dollars for foodservice program.

In either case, all activities will be examined much more carefully. Restaurant inspections will probably be reduced to twice from three or four times a year. Sanitarians will look more closely at prior inspection reports and categorize foodservice operations accordingly. Restaurants with consistently outstanding reports will probably be inspected less frequently, while those with repeatedly poor inspection ratings will receive extra attention. There may also be an increase in programs that will require a certain amount of self-inspection. Attention during inspection may focus on the critical control points of temperatures and food storage practices with less time spent on the physical features of the restaurant.

Threat to industry...

"The greater potential problem to our industry is that local public health agencies, in their search for additional revenue may adopt programs that will unfairly impact us," explained Stanton Elliott, chairman of NRA's Technical Services committee. Increases in fees for licenses and permits as well as assessments for inspections will likely be considered. "The latter poses a significant danger," Stanton continued. A practice may develop in which an inspector is required to make a set number of inspections per day or per week with the prime purpose being to collect a fee. The system would also increase the probability of re-inspection.

Another potential revenue source could be the conducting of mandatory training programs by public health departments with a tuition charge.

Since almost all public health regulations are local in nature, it is the local restaurateur who must be the eyes and ears of the industry and take the leadership role in resisting proposals or changes that will unfairly affect foodservice.

OSHA impact...

The inspection of restaurants has become less likely with the institution of a targeted inspection procedure by the Occupational Safety and Health Administration (OSHA). The inspections will generally focus on those establishments in which the rate of employee worktime lost due to occupational injuries exceeds the national average. Other targeted groups will include industries within each state whose experience exceeds the national average.

Energy regulations may appear on local levels...

There are two types of energy-related regulations which may appear on the state or local level. One is a concept involving utilities and the establishment of certain conservation standards which must be met for utilities prior to permitting new or expanded hookups to customers. One of the first proposals set limits on the amount of energy to be used for lighting and hot water heating as well as requiring an energy audit. These requirements could mean additional dollar expenses for audits and engineering services and should be vigorously opposed.

Energy conservation regulations for existing buildings may also be introduced. Energy conservation codes now exist in most states, but affect only new construction. How regulations for existing buildings will be written is still being considered, but one concept would require an annual energy audit which would identify energy conservation opportunities. Modifications would be required if the annual energy cost savings represented a certain percentage of the cost of the equipment or building modification.

When building new facilities or extensively remodeling existing restaurants most operators will be faced with expanded requirements for accessibility by the physically handicapped. Once again the industry must assert itself to assure that the requirements established are reasonable for the purpose intended.

EDUCATION

NRA seminars help small business compete with the 'big guys'

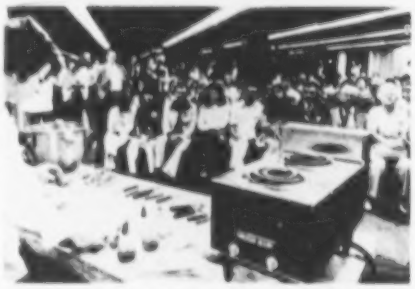
Today's intense competition for the dining-out dollar can be overpowering to smaller independent operators. They face this problem alone. Generally, there is no money in the budget for marketing and advertising professionals, personnel and training directors, or expensive outside consultants.

With the aid of NRA's seminar department, however, the independent operator does not have to face the challenge alone. NRA seminars offer the type of help and information that corporations are able to generate in-

house, and for a fraction of the cost.

Many owner/operators routinely send their staff to NRA seminars for training that would otherwise be unavailable. Programs, such as basic, supervision and dining room management, provide supervisors and assistant managers with practical management instruction on subjects ranging from managing the dinner rush to dealing with employee discipline. Other seminars from the food production series teach kitchen staff the basic skills as well as the latest techniques for creating soups, salads, baked goods and other culinary delights.

As one small operator explained, "Even if I had the knowledge and the talent to run my own training sessions, I really don't have the time. It is much



more cost-efficient for me to send my people to an NRA seminar. I know they are getting the best training available, and besides they get a chance to pick up new ideas from others in the business."

NRA seminars give the independent operator access to the nationally prominent experts and the kind of profit-building information normally available only to larger companies with big budgets. They afford an opportunity to spend a day or two with a top pro and learn anything from how to cut your food cost to how to put together a new menu.

Many seminars feature discussion sessions or case study exercises during which participants work together to solve a problem. Often slides, films and live demonstrations reinforce instruction. In the food production seminars, the menu items are created before your eyes.

Coffee breaks and lunch quickly become informal "rap sessions" with participants exchanging ideas and information among themselves, the instructor and the NRA representative.

And it is all organized with the busy restaurateur in mind. Eight hours are packed with new ideas, techniques and approaches which you can take to work the next day.

For more information, refer to the NRA seminar schedule on the next page.

NRA SEMINAR SCHEDULE

Bar Management

Feb. 8–10	Chicago, IL
Mar. 8–10	Tampa, FL
Mar. 15–17	Los Angeles, CA

Creative Merchandising Techniques

Feb. 1	Long Beach, CA
Mar. 8	Boston, MA
Mar. 15	Portland, OR

Menu Development

Feb. 1	Minneapolis, MN
Feb. 3	Denver, CO
Feb. 23	Philadelphia, PA
Feb. 25	Washington, DC
Mar. 16	Detroit, MI
Mar. 18	Cleveland, OH

Improving Food Production Methods

Feb. 4	Atlanta, GA
Feb. 18	Williamsburg, VA
Mar. 9	Newport Beach, CA
Mar. 11	Phoenix, AZ

Fish & Seafood

Feb. 10	New Orleans, LA

Practical Meat Workshop

Feb. 4	Baltimore, MD
Mar. 15	Wichita, KS
Mar. 17	Dallas, TX

Soups & Sauces Workshop

Feb. 4	Indianapolis, IN
Feb. 15	Manchester, NH
Feb. 17	Newark, NJ
Mar. 15	Toledo, OH
Mar. 31	San Francisco, CA

Super Salads

Feb. 11	Milwaukee, WI
Feb. 18	Dallas, TX
Mar. 4	Philadelphia, PA
Mar. 25	Williamsburg, VA

Basic Supervision

Feb. 2	Cherry Hill, NJ
Feb. 15	Oklahoma City, OK

Dining Room Management

Feb. 8	Nashville, TN
Feb. 10	Tampa, FL
Feb. 22	Topeka, KS
Feb. 24	St. Louis, MO
Mar. 11	Norfolk, VA
Mar. 29	San Antonio, TX
Mar. 31	Dallas, TX

Hiring Hourly Employees

Feb. 8	Boston, MA
Feb. 22	Portland, OR
Mar. 1	Houston, TX
Mar. 22	Baltimore, MD

Performance Review

Feb. 9	Boston, MA
Feb. 23	Portland, OR
Mar. 2	Houston, TX
Mar. 23	Baltimore, MD

Kitchen Management

Mar. 10	Las Vegas, NV
Mar. 18	Los Angeles, CA
Mar. 24	Albuquerque, NM

Controlling Beverage Cost

Feb. 1	Richmond, VA
Feb. 3	Atlanta, GA
Feb. 16	Cincinnati, OH
Feb. 18	Toledo, OH
Mar. 1	Seattle, WA
Mar. 4	Honolulu, HI

Controlling Food Cost

Feb. 15	Spokane, WA
Feb. 16	Seattle, WA
Feb. 18	San Francisco, CA
Feb. 22	San Diego, CA
Feb. 24	Tucson, AZ

Controlling Labor Cost

Feb. 22	Hartford, CT
Feb. 24	Syracuse, NY
Mar. 1	Milwaukee, WI
Mar. 3	Chicago, IL
Mar. 22	Salt Lake City, UT

Computers

Mar. 22	Cincinnati, OH
Mar. 24	Minneapolis, MN

Food & Beverage Operations Auditing

Mar. 16	Seattle, WA
Mar. 31	Boston, MA

Practical Accounting for Foodservice Managers

Mar. 8	Newport Beach, CA
Mar. 10	Denver, CO

How to Negotiate & Finance Your New Operation

Mar. 29–30	San Francisco, CA

Off-Premise Catering

Mar. 8–9	Las Vegas, NV
Mar. 29–30	Boston, MA

Winning! Labor Law, Negotiations & Unions

Mar. 29–30	Washington, DC

Real Estate & Site Selection

Mar. 22–23	Atlanta, GA

Restaurant Design & Facilities Planning

Feb. 8–9	Houston, TX

Special Conference

7th Annual NRA/UNLV Table Service Restaurant Conference, February 1–3, Las Vegas, NV

For more information, contact registration secretary seminar department NRA Washington office, (202) 638-6100 or (800) 424-5156

MAY 22-26

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NRA NEWS

National Restaurant Association

Vol. 2 ☐ No. 2 ☐ February 1982

A8200-1
2/24/82

American Beverage Consumption Increases

Speaking with one voice

The National Restaurant Association is calling on you to help yourself. We want you to speak out against some proposals which will hurt our industry.

The U.S. Department of Agriculture (USDA) wants to change the beef grading system again. They plan to lower the standards for Prime so that the category includes much of what is now Choice. They also want to lower the standards for Choice to include much of what is now Good. If these changes are made, consumers will pay higher prices for lower quality beef, and restaurateurs will find it difficult or impossible to find the quality of beef they need in the quantity they need.

In 1976, USDA made a similar change in the grading standards. Since then, more than 80 percent of all graded beef has fallen into the Choice category. (In 1980, for example, the figure was 89 percent.) Choice now contains both the lean beef some consumers want and the marbled beef most restaurateurs require. As a result, we have not been able to rely on the grading system to discriminate the tender, juicy, flavorful beef our guests demand when they dine out.

The proposed changes will make matters worse.

NRA is fighting this proposal. We are testifying at hearings USDA is holding in five cities across the country. At the same time, our communications department is holding media conferences and briefings in each of those cities. We are asking the media to inform consumers what effect the proposed changes will have on them and their favorite restaurant.

NRA is asking the consumer to let USDA know what they think about this issue. But first and foremost, we must make our own voice heard. We are a large industry performing an essential service. The USDA proposals will disrupt our operations. We must tell the folks in Washington about our views.

We urge the NRA membership to write USDA. It is likely that your employees and guests may feel strongly about this issue, too. They may also want to write. If we all speak out in one voice, the government will have to respond. Letters and telegrams should be mailed to the address below. USDA requests two copies of your letters.

Sincerely,

Walter Conti

Walter Conti
NRA Chairman

Address comments to:

Livestock, Meat, Grain and Seed Division
USDA 2M — Annex
300 12th St., S.W.
Washington, D.C. 20250

NRA NEWS

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13 American per capita beverage consumption is on the rise. In this month's cover story, readers will find out who's drinking what and when. *(Foodservice Trends)*

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	5	**Farm bill** sets agriculture policy for the next four years — support programs to affect commodity prices.
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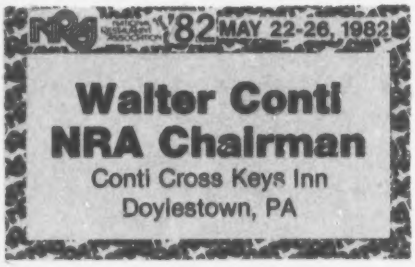


1982 NRA membership badge serves dual purpose

Check the mail for 1982 NRA membership cards. These cards, sent to all NRA voting members, will serve as official membership entrance badges to the 1982 NRA Show, May 22–26, 1982, at Chicago's McCormick Place.

Please check these cards for accuracy, and report any corrections to NRA's membership department in Washington, DC.

SHORT ORDERS

NRA schedules human resources conference for June 1982

In order to address one of the most important concerns of industry officials, NRA has scheduled a National Conference on Human Resource Development in Foodservice to be held on June 21–22, 1982, in Washington, DC.

Distinguished experts in industry, education and government will discuss critical human resources issues, including unionization in restaurants, illegal aliens and hiring minorities and the disabled. Additional sessions will cover key areas affecting day-to-day operations, such as training, hiring and performance standards.

Highlighting the two-day conference will be presentations by **Professor Vance Christian** of Cornell University's School of Hotel Administration, **Professor Don Smith** of the Michigan State Hotel School and **Dr. Ken Blanchard**, author of *The One Minute Manager*. Also scheduled is **Dr. Elaine Gagne**, a human resource consultant, who will speak on quality circles, a Japanese technique for increasing productivity.

U.S. Sen. Orrin G. Hatch (R–UT), chairman of the Senate Labor-Human Resource Committee, will host a special evening reception. NRA has also invited **Secretary of Labor Ray Donovan** and **Attorney General William Smith** to address the meeting.

Registration for the conference is set for April 1982. For detailed information, contact **Walter Ashcraft, director of human resources** at NRA's Washington, DC, office.

New operating ratio study is being launched

NRA will launch its annual operating ratio study in February. Each NRA key member is urged to complete the survey and return it as soon as possible. Conducted in cooperation with the accounting firm Laventhol & Horwath, this survey provides valuable operating ratio statistics on the restaurant industry.

Last year's report, *Restaurant Industry Operations Report '81*, contained information by type of restaurant, menu theme and region of the country. We need your help as an NRA member to make the 1982 report even more informative. The greater the response, the more information the survey will provide.

The survey will be mailed to all NRA key members in mid-February and should be returned to Laventhol & Horwath. If you have any questions, please contact NRA's research department in Washington, DC, or call (202) 638-6100.

Market research group to meet in Washington, DC

The next meeting of NRA's Market Research Group will be held in Washington, DC, on Mar. 17–19, 1982.

The program will include presentations from several research suppliers who track consumers' eating out patterns. They will discuss syndicated studies, sanitation, quality and service studies and custom tracking.

The Cornell Restaurant Administration Exercise, a computer tracking exercise or management game, which depicts realistic situations that can arise in operating a restaurant, will be a highlight of the meeting. Participants will have the opportunity to make decisions for each situation presented. The computer provides immediate feedback on the results of those decisions.

NRA's Market Research Group consists of association members who are interested in exchanging information on research techniques and learning about new methodologies. For additional information, contact **Susan Mills, NRA director of research**, in Washington, DC.

WASHINGTON REPORT

USDA issues proposed changes to beef grading standards

At the January NRA board meeting in San Antonio, TX, board members voted to oppose the recently-published U.S. Department of Agriculture's (USDA) proposed changes in beef grading standards. "The proposal announced by USDA simply is not acceptable to the foodservice industry," said **Joe Lee** (General Mills, Orlando, FL), chairman of the NRA Government Relations Committee. "If this proposal were adopted," he added, "it would render the grades nearly meaningless as a reliable and consistent guide to beef quality."

"The standards used prior to 1976 provided the industry with a more reliable and consistent measure for beef cuts," Lee said.

In the Dec. 30, 1981, *Federal Register*, USDA announced its proposal to lower the beef grading standards. The proposed change would reduce marbling requirements and thus allow most cuts of meat to move up a grade. (See accompanying chart.) It would be the eighth time grading standards have been lowered since they were developed in 1916.

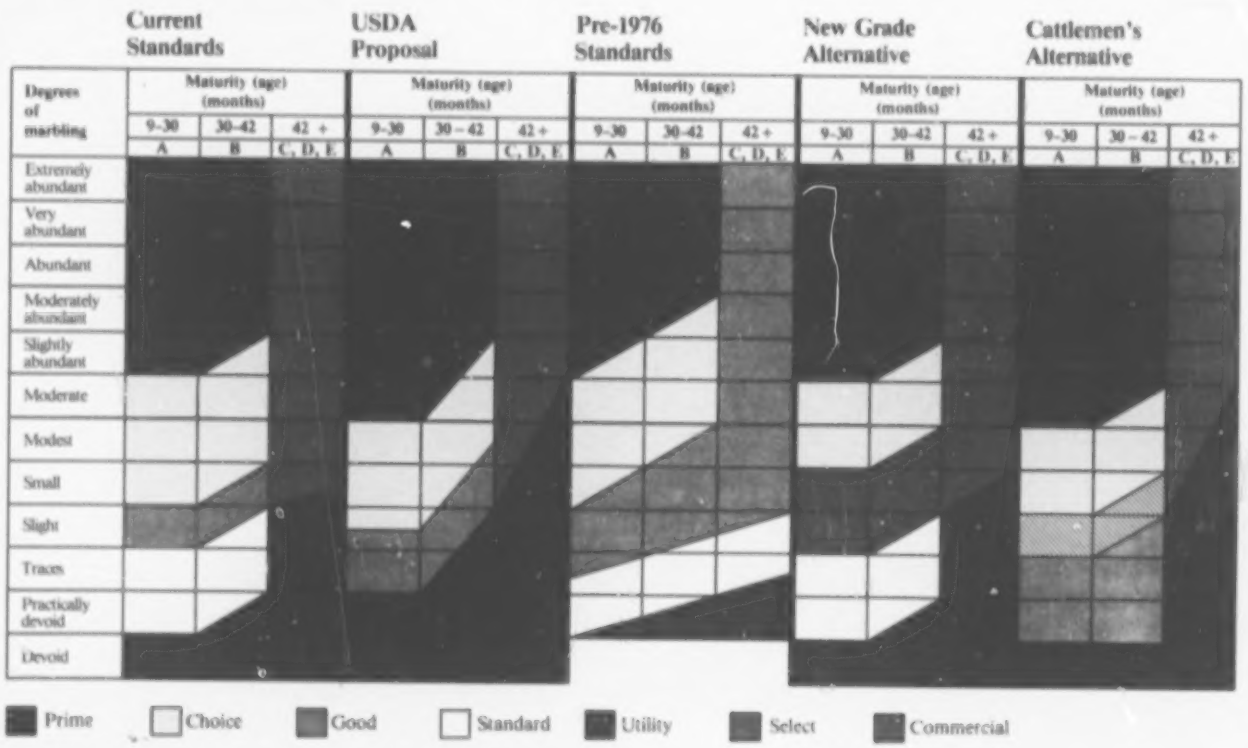
The USDA proposal is similar to one the National Cattlemen's Association submitted to USDA last spring — a proposal opposed by the NRA. (See the January *NRA News*.) Under the USDA proposal, Prime and Choice grades would be lowered and the Good grade would include beef now graded Standard. The Standard grade would then be eliminated.

Palatability will suffer...

NRA has argued on many occasions that these changes will make it more difficult for both consumers and restaurateurs to obtain quality beef. And more importantly, consumers will pay higher prices for grades of meat that now bring a lower price. "Palatability and quality will suffer, yet prices could actually increase," explained Lee.

NRA will testify against the USDA proposal at five regional hearings to be held during this month. USDA will

Beef Grading Comparison Sheet



hold field hearings in Salt Lake City (Feb. 9), Atlanta (Feb. 11), Washington, DC (Feb. 16), Des Moines (Feb. 22) and Dallas (Feb. 25). Your written comments to the USDA on the changes will be accepted through March.

Specifically, USDA's proposal provides

- The minimum marbling requirements for the Prime, Choice and Good grades in "A maturity" — cattle up to approximately 30 months of age — would be reduced to "minimum moderate," "typical slight" and "minimum traces" respectively.
- All young beef not meeting minimum requirements for the Good grade would be graded Utility.
- The Standard grade would be eliminated.
- The rate of increase in marbling requirements in "B maturity" — cattle about 30 to 42 months of age — would be doubled. The marbling to maturity relationship would be increased from 1:1 to 2:1.
- No changes would be made in Yield grade standards.

Along with the official proposal, USDA published two alternative standards. USDA stressed, however, that these alternatives are not proposals and, therefore, cannot be adopted unless the actual proposal published on Dec. 30 is rejected. An alternative would then have to be published as a proposal, and this would happen only if it receives strong support during the field hearings and comment period.

Alternatives also published...

Publishing alternatives to a proposal in the *Federal Register* is not a common occurrence, explained a USDA spokesman. "But we thought some of the more popular proposals we considered warranted publication." USDA published both the original petition by the National Cattlemen's Association (NCA) and a USDA alternative, referred to as the "new grade" alternative.

In the "new grade" alternative (see chart), the Prime grade would remain the same as it is now, while the Choice grade would actually be raised to include only "moderate" and "modest" marbling. A new grade, tentatively named Select, would be created to include "small" and "slight" bands of marbling. Standard would be changed to include "traces" and "practically devoid." Thus the alternative creates a new grade for consumers interested in purchasing leaner beef, while at the same time it preserves the integrity of the higher grades.

The NCA petition — also published in the *Federal Register* — is very similar to the official USDA proposal. The cattlemen's proposal calls for lowering the Prime grade by one full marbling score to include "moderate" beef. Carcasses with "modest" and "small" marbling scores would remain Choice, and those with "slight" marbling would also be graded Choice. Carcasses falling below "slight" would be graded Good.

What do consumers want?...

One of the major arguments for change in the standards has been a perception that consumers want leaner beef. This is one of the reasons given by the cattlemen for their proposal of lowering the Prime, Choice and Good grades. NRA and consumer groups have argued that there is plenty of lean beef available in the Good and Standard grades and, therefore, there is no need

Outcome of proposed energy tax credit may depend on member response

NRA needs your help to ensure passage of legislation that would extend energy tax credits to the commercial business sector. NRA joined with a coalition of commercial trade organizations to promote federal legislation that would provide commercial businesses a 20 percent tax credit for investing in energy conservation equipment and insulation. Energy tax credit legislation has been introduced in both the House and Senate, but now cosponsors are needed in Congress to assure that further action is taken on the bill.

Legislation has been introduced in the House by **Rep. Wyche Fowler** (D-GA), a member of the House Ways and Means Committee (H.R. 4912). It is identical to the Senate measure, S. 1288, introduced by **Sen. David Durenberger** (R-MN) and would allow commercial-sector businesses to claim tax credits for purchasing energy-conserving materials and equipment, such as insulation, energy management control systems and retrofitting of existing buildings. The tax credits would be available through 1986. There are now two cosponsors in the House — **Reps. Cecil Heftel** (D-HI) and **James Martin** (R-NC), also members of the Ways and Means Committee.

You can help NRA and the industry in its efforts to secure passage of this measure by asking your congressman to sponsor this legislation. The following message is suggested, but please express it in your own words.

> *My restaurant has been facing higher and higher energy costs in recent years. I believe that commercial businesses can save substantial amounts of energy if they are made eligible for the type of energy tax credits already provided residential and industrial users. In this way, the purchase of energy-saving material and equipment will be encouraged.*
>
> *A bill (H.R. 4912) that would provide such commercial energy tax credits has been introduced in the House by Rep. Wyche Fowler. I urge you to contact Rep. Fowler's office and become a cosponsor of this measure. Enactment of this measure will help the country save energy, provide jobs and reduce costs.*

Remember to use your own business stationery when writing your congressman. Letters should be addressed as follows:

The Honorable _____
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. (Mrs., or Miss):

For more information on this legislation, contact **Steve Finn**, NRA director of government relations, in Washington, DC.

for lowering the upper grades. NRA sees no reason for sacrificing the integrity of the upper grades when consumers can already buy lean beef at the lower grades.

NRA is especially concerned that the proposed Choice category would be so broad as to include nearly all USDA graded beef. Currently Choice beef includes about 90 percent of all graded beef. With leaner beef now graded Good pushed into this designation, the Choice grade would be useless as a buying guide for both restaurateurs and consumers. Neither restaurateurs — who want marbled beef — nor consumers — who may prefer leaner beef — would know what they were getting if they bought Choice beef.

Cattlemen also argue that the current grading standard forces them to hold most cattle in feedlots longer than necessary in order to allow time for slower developing cattle to acquire the fat necessary to be graded Choice. They say this results in overfeeding of normally developing cattle, which leads to profit losses. NCA argues that lowering the Choice grade would allow cattlemen to decrease their feeding time and, therefore, pass along savings to the consumer. USDA, however, has publicly agreed with the studies NRA completed indicating that feeding time is linked to market prices and that cattlemen hold their cattle in feedlots longer when anticipating price increases. Thus, even with the lower grades, cattlemen may still overfeed their cattle in hopes of obtaining higher prices. The consumer would then be the loser.

Grassroots efforts...

NRA needs your help on this important issue and asks you to write USDA at the following address to express your opposition to the proposal: Livestock, Meat, Grain and Seed Division, Agricultural Marketing Service, 2M-Annex, U.S. Department of Agriculture, Washington, DC 20250.

Written comments will be received by USDA through March 31. Please send a copy of your letter to the NRA's government relations department in Washington, DC.

1981 Farm Bill establishes four-year policy

NRA lobbying efforts pay off

Efforts by NRA and its members paid off handsomely in late December when the 1981 Farm Bill was signed into law. Those members who responded to calls by NRA to contact their legislators about this important legislation can take pride in the fact that many of the changes NRA fought for on Capitol Hill were included in the final bill.

"Our members should be particularly pleased by both their own efforts and those of the NRA's lobbying staff," said **NRA Chairman Walter Conti.** "The costs associated with the original Farm Bill have been whittled down considerably, and our members can take a great deal of credit."

Savings to the foodservice industry alone are expected to reach nearly a billion dollars a year as a result of changes to programs mandated by the 1981 Farm Bill. The bill will be in effect for four years — through fiscal year 1985.

Dairy price supports...

NRA believed as did the Reagan administration that the dairy price support program was too expensive and inflationary. In the beginning of fiscal year 1981, the dairy price support program required that milk be supported at 80 percent of parity. But it became clear to the administration and members of Congress that this level was simply too high. Estimated government expenditures in FY 1981 were $2.2 billion for the program, which was expected to result in the accumulation of over 13 billion pounds of surplus milk products.

The administration announced it favored a reduction in parity levels to 70 percent as well as elimination of the twice-a-year adjustments that had been in effect for years. NRA supported the administration's position. As a result of lobbying efforts by NRA, its members and other food groups, Congress passed a dairy provision that considerably lowered the amount of money farmers can get for surplus dairy products. Dairy prices for the next four years will be set at specific levels which are at or below the 70 percent parity level. (For FY 1982, price supports will be set at $13.10 per hundredweight; for the following three fiscal years, $13.25, $14.00 and $14.601.) Price adjustments will be made once a year rather than twice a year.

Without these changes, restaurateurs could have expected to spend $400 to $600 million per year in increased dairy product prices during the next four years.

Imported meat...

Legislation was introduced in the House and Senate in 1981 that would have imposed trade restrictive inspection, grading and labeling requirements on imported meat. Under current law, all meat imported into the U.S. (about seven percent of annual U.S. consumption) must be inspected. Imported meat that is placed in final containers overseas must show country of origin on the outside of the package. The remaining imported meat — that which is repacked or remanufactured in the U.S. — does not have to be labeled.

The legislation proposed would have required U.S. processed and packaged products that contain imported meat to carry a label stating that imports are contained in the package. The label would have been attached to these products as they moved through the distribution system — even in restaurants and supermarkets. This requirement not only would have posed difficult and costly recordkeeping burdens, but there would have been the additional costs of changing labels or posting notices in restaurants.

NRA, its members and state restaurant associations played an important role in defeating amendments to the Farm Bill that would have included these restrictions. NRA estimates that passage of the original language would have virtually eliminated imported meat to the U.S. and, therefore, would have caused beef prices to rise about nine percent and hamburger prices to jump about 25 percent.

When the Farm Bill went to confer-

ence, **Sen. John Melcher** (D-MT), one of the original proponents of the imported meat legislation, was persuaded to sponsor compromise language that was not so restrictive. The final Farm Bill passed by Congress contained no imported meat labeling requirements and no restrictive trade barriers on imported meat.

Sugar price supports...

The 19.6 cents a pound sugar loan provisions in the 1981 Farm Bill, as written by the House and Senate Agriculture Committees, would have been extremely inflationary to the foodservice industry and the American consumer. Out of the 9.5 million tons of refined sugar consumed in the U.S. in 1980, the foodservice industry purchased an estimated 1.1 million tons, or 11.6 percent of the total.

NRA opposed this provision and backed an amendment sponsored by **Reps. Peter Peyser** (D-NY) and **Margaret Heckler** (R-MA) that would have deleted the sugar provisions entirely from the Farm Bill. This amendment was passed by the House but was dropped during conference. After first agreeing to a loan program of 18 cents a pound at the farm, conferees later gave in to pressure from consumer and industry groups and settled on a level of 16.75 cents a pound for 1982, increasing in half steps to 18 cents in 1985. This version was approved by Congress and signed into law by the President. Thus by helping to reduce the level of the sugar program, NRA secured substantial savings on sugar products for the foodservice industry.

Teenage opportunity wage considered

In March of last year, the Senate Labor and Human Resources Subcommittee on Labor seriously considered legislation that would allow employers to hire teenagers at less than the minimum wage as an incentive for hiring unemployed youth. Known as the youth opportunity wage, this legislation would allow employers to pay teens a percentage of the minimum wage for a specific period of time. (See the interview this month with Rep. Erlenborn on the youth differential.)

NRA testified in favor of the youth opportunity wage during labor subcommittee hearings last March. During those hearings three Senate proposals were considered. **Sen. Orrin Hatch** (R-UT), chairman of the full Labor and Human Resources Committee, proposed a measure (S. 348) that would permit an employer to pay 75 percent of the minimum wage to employees under the age of 20 for a six-month period.

Sen. Charles Percy (R-IL) introduced a similar measure (S. 430) that provides an 85 percent differential and an automatic repeal of the differential after three years. **Sen. Don Nickles** (R-OK) has a bill (S. 658) that would exempt employees under the age of 18 from the minimum wage provisions of the Fair Labor Standards Act.

NRA told the subcommittee that it believes these proposals have the "potential to expand youth employment and allow more growth to build the work experience and background teenagers will need to advance in their adult careers."

The restaurant industry is the largest employer of teenagers — 1.5 million or 16 percent of all youth employed in the United States. Yet, as NRA noted, the industry could employ more if the minimum wage were not as high as it is.

Increase in minimum wages cause drop in employment...

"Economists constantly cite the fact that minimum wage increases result in loss of jobs," NRA testified. From 1977 to 1981, the minimum wage increased 46 percent. A study by Chase Econometrics indicates that a 10 percent increase in the minimum wage rate costs the equivalent of approximately 112,000 forty-hour, full-time jobs in the foodservice industry. Applying these figures over the period since 1977, the Chase study indicates that the foodservice industry lost nearly half a million full-time job equivalents.

More teenagers could be hired by foodservice industry...

NRA told the subcommittee that it believes if a youth opportunity wage were enacted, more teenagers would be hired in the foodservice industry. "If our operators could stretch their labor cost budget to encompass more employees, they would do so because they know that more staff means more service, and more service means better business," NRA explained.

Youth opportunity wage legislation has also been introduced in the House. **Rep. Carroll Campbell** (R-SC) has introduced a bill (H.R. 157) that would provide an 85 percent differential for employees under age 20 for a one-year period. H.R. 2001, introduced by **Rep. Paul Simon** (D-IL), provides that employees under age 19 could be paid 85 percent of the minimum for a six-month period. No more than 20 percent of an employer's payroll could be paid at the differential rate. Most recently, **Rep. John Erlenborn** (R-IL) introduced a bill (H.R. 5039) that is very similar to Rep. Simon's. (See interview with John Erlenborn.)

Reagan favors youth wage...

The Reagan administration favors a youth opportunity wage, but it has not yet proposed any legislation in this area. Opponents of the wage include organized labor and the Minimum Wage Study Commission. They argue that employers would displace older workers with lower-paid teenagers.

The Minimum Wage Study Commission, established by Congress in 1977 to study the effects of minimum wage legislation last summer, issued a report decidedly labor-oriented and anti-business in nature. The commission opposed a youth differential, recommended indexing the minimum wage to reflect changes in average hourly earnings in the private sector and that the small retail exemption be eliminated.

Youth opportunity wage becomes issue on Capitol Hill

With youth unemployment at extraordinarily high levels in recent years — particularly among minority teens — NRA has consistently supported the enactment of a youth opportunity wage which would provide more jobs for teenagers. A special youth wage would give employers an incentive to hire teens by allowing employers to pay them less than minimum standards for a short period of time.

U.S. Rep. John Erlenborn (R-IL), who shares NRA's views on this issue, introduced a youth opportunity wage bill last November. A nine-term congressman representing the Chicago suburbs, Erlenborn has served on the House Education and Labor Committee since 1966. He is the second ranking Republican. Here are some of his thoughts on the youth wage issue.

NRA: Could you comment on the youth opportunity wage and H.R. 5039 — the bill you introduced late last year?

Erlenborn: The youth opportunity wage is a concept that has been around for quite some time. It is based on the premise that minimum wage increases tend to cause unemployment among young people. This premise is fairly well proven and is now accepted by both proponents and opponents of the minimum wage law itself.

Generally speaking, a youth differential provides youth some percentage of the minimum wage for a short period of time. My bill includes youth from 16 to 18 and provides them with 85 percent of the otherwise applicable minimum wage. A very similar provision, almost identical to my bill, was offered by **Rep. Paul Simon** (D-IL) to the last minimum wage bill (1977) when it was considered on the floor of the House. It failed in a long count with the speaker's vote breaking the tie.

You can see there is quite broad support for a youth minimum when you have a liberal Democrat offering the amendment. Even with the strong opposition of the labor unions and the Democratic leadership, it was still almost adopted.

Q: One of the arguments used by opponents of youth differential is substitution — that employers would replace older workers with teens in order to take advantage of the differential. Do you believe this is a valid assumption?

A: I don't think the opponents of youth differential even believe that. Anybody with a rudimentary knowledge of the cost of training a person, the costs associated with fringe benefits, with putting someone on the payroll and taking him off again and the bookkeeping costs would realize no money is saved in a business by getting rid of a trained worker and bringing in an untrained worker who is in for six months at a differential. These costs would far outweigh the benefits of paying a lower wage. It is also true, and a lot of businessmen have made this point, you do not hire somebody at the differential and have him working alongside someone who is making way over the minimum wage for the same work.

Q: Despite hearings in the Senate last year and the endorsement of several powerful senators, the youth differential really didn't get very far. Do you think the climate is changing?

A: I think that there is a better chance in the House now although there are two basic problems with the youth differential at this time. One is that not all businessmen will be able to utilize the youth differential. In some industries it

Rep. John Erlenborn (R-IL)

really would not have much of an application. For example, no industry in which entry wages are already set by either union agreement or other devices would push Congress for a youth differential because it wouldn't mean anything to them.

The second reason is that many businessmen would rather not raise the specter of the youth differential because they fear that would trigger an increase in the minimum wage.

Q: Do you think that perception is justified on the part of business? Could a push for youth differential open up the whole issue of minimum wage?

A: There is no question about it. Neither the basic minimum wage nor the youth differential, practically speaking, can be considered separately. As soon as you got a bill for one on the floor or in committee, it would be subject to amendment by the other.

Q: When do you think the minimum wage issue will come up again?

A: I would say that the basic minimum wage issue may not come up again until after the November election. That would be 1983 or even later.

Q: What were your feelings about the Minimum Wage Study Commission's findings? As you know, they came out against the youth differential and took a generally prolabor stand.

A: The commission was loaded by the appointments made by former **President Carter**. In my opinion, much of the underlying work the commission did was quite valid. But much of that work got buried or was ignored in the final recommendations. I think they took the conclusions they reached before the study began and used them to draw the majority report. They obviously ignored a great deal of other good, valuable evidence.

Q: You really would not give much credence to the recommendations made by the report then?

A: No, I really would not. As I say, I don't think the recommendations were based on a valid study but merely were the conclusions of the majority. They went through the sham of the study to back up a report they could have written before they began.

Q: Do you think that the credibility problems are so great that even proponents of the commission's findings are reluctant to use the study to support their point of view?

A: Yes, it's that, and it's also the fear of the youth differential, which I mentioned earlier. They almost seem to be afraid to bring up the issue of the minimum wage at this time. Even the AFL-CIO has not been pushing for it. They have given the issue a little bit of lip service, but they have not pushed for it in their legislative program.

Q: How do you feel about some of the other employment programs, such as the targeted jobs tax credit (TJTC) which involve incentives for businessmen to hire certain groups of people that are characterized by underemployment?

A: I think there is probably some merit to these programs, and they may have application to other business contexts where the youth minimum would not.

Q: Would you support another extension of the TJTC?

A: Probably. I haven't given that too much thought, but very likely I would. I think it would depend on what Congress might find in oversight as to how useful TJTC has been in creating jobs and whether there have been any abuses. I just don't know all the facts yet.

Q: Would you like to see government get away from publicly funded programs, like the Comprehensive Employment Training Act (CETA) to more private sector involvement?

A: I think that there is a role for both the government and the private sector. I think CETA make-work jobs, the public employment jobs, made very little sense, and I am glad to see that by and large through last year's budget reconciliation process we have almost done away with them. But I think the government can still play a role, together with the private sector.

I think one of the problems has been the large stipend attached to job training. This sometimes encourages people to move from one training job to another without ever seeking full-time employment, just to get the stipend. I know there have been some recommendations recently out of the Office of Management and Budget (OMB) and the Department of Labor (DOL) to eliminate the fairly generous stipends and provide only job training that leads to meaningful work in the private sector.

Q: The administration's proposal for creating urban enterprise zones appears to be a back-door way of creating new jobs. Do you have any opinion on that particular concept?

A: I'm looking at it, but I have really not passed judgment on it. I can see many problems associated with urban enterprise zones which I would like to have answered before I decide. It may not necessarily create new jobs but just move jobs around. We have done a lot of that in the past with public financing and tax-free revenue bonds — helping to finance a company moving from one location to another. Many times we do not create any new jobs we just move them around.

Q: It seems like the last session of Congress was all budget and taxes. What do you think it will be this year?

A: Unfortunately, we should be concentrating on an even more difficult aspect of controlling the federal budget. We have not yet attacked the entitlement programs, and they are the most important if we are ever to get the budget under control. We will have to look at programs like Social Security, food stamps, unemployment compensation and many other entitlement programs in which we have already experienced rapid increases which are wiping out the gains that we made by reducing or eliminating appropriations in non-entitlement programs. If we are ever to get the budget under control, this is what we'll have to do, and this year will be none too soon.

Rep. James Wright (left) listens to NRA Directors Ella Brennan and Ralph Evans discuss industry issues.

Congressman Leoffler addresses NRA-PAC.

THE BOARD ROOM

Congressmen praise NRA-PAC

During the January meeting of the NRA Board of Directors in San Antonio, both Democratic and Republican congressmen praised the NRA-PAC. **House Majority Leader James Wright** (D-TX) and **Rep. Tom Leoffler** (R-TX) both urged the foodservice industry to continue its grassroots participation in public affairs.

Rep. Wright argued that the foodservice industry should continue to play a central role in determining the economic policy of the U.S. "You are dependent on disposable income and, therefore, directly influenced by fluctuations of the economy. Congress should listen to people like you who have a finger on the economic pulse of the nation," Wright told the board.

Wright explained that Congress was committed to reviving the American economy, lessening the burden of regulation and curtailing unnecessary government expenditure. "Interest rates must be brought down to a livable level," he added. "If not, all the things that have been done to stimulate economic growth will be still-born."

Wright said that action through the NRA-PAC was essential. Rep. Loeffler agreed. "We are a participatory democracy," he said. "The only way to get programs which will foster the growth of your business is to let your ideas be known in Washington."

Through PACs, NRA and other associations have helped elect responsible leaders, Loeffler said. "As a result, you give Congress the opportunity to rejuvenate the economy."

"Keep it going," Loeffler advised the NRA board. "Back candidates who understand the problems of business and particularly the foodservice industry come to our offices and tell us your thoughts and concerns."

Loeffler expressed confidence in the Reagan economic plan. "We have to work to keep the program," he said. "Reduction in federal spending will lead to a reduction of inflation and an opportunity to reverse the trend of 'working harder to get behinder!' "

For further information on the NRA-PAC, call the NRA government relations department in Washington, DC.

Impeciato and Hasslocher talk to cattlemen

NRA board members have taken the association's message to the cattlemen. They have explained why the association opposes changes in the beef grading standards proposed by the U.S. Department of Agriculture (USDA).

Speaking to the Georgia Cattlemen's Association in January, **NRA Director Victor Impeciato** (Vittorio's, Atlanta, GA) said, "Restaurateurs buy 25 percent of your product. If the proposed changes are made to the grading system, we will find it difficult or impossible to locate the quality of beef we require in the quantity we need."

NRA Director G. "Jim" Hasslocher (Frontier Enterprises, San Antonio, TX) brought a similar message to the Mississippi Cattlemen's Association. Hasslocher emphasized NRA's concern about problems faced by the cattle industry. "But you cannot solve these problems by changing the grading system and driving away loyal customers. We fear these changes would hurt the cattle industry in the long-term."

USDA proposals for changes in the grading system were prompted by a petition from the National Cattlemen's Association. The actual proposals, however, are not identical with changes requested by the cattle industry. (See article on proposed beef grading standards in this month's Washington Report.)

Hasslocher addresses cattlemen.